

JPRS-CEA-84-097

30 November 1984

China Report

ECONOMIC AFFAIRS

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30 November 1984

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

- Role of Taxation
(Dai Yuanchen; JINGJI YANJIU [ECONOMIC RESEARCH], No 9, 20 Sep 84)..... 1

- Reforming Economic Relations
(Mao Tianqi; JINGJI YANJIU [ECONOMIC RESEARCH], No 9, 20 Sep 84)..... 10

- Technological Revolution in China
(Yang Mu; JINGJI YANJIU [ECONOMIC RESEARCH], No 9, 20 Sep 84)..... 17

PROVINCIAL AFFAIRS

- Fast Food Services Developed in Beijing
(XINHUA, 1 Nov 84)..... 29

- Briefs
Guangxi Trade Union Congress 30
Beijing Traffic Problems 30

ECONOMIC DEVELOPMENT ZONE

- Construction Begins on Dalian Economic Zone
(XINHUA, 15 Oct 84)..... 31

- Ningbo To Become Major Port, Industrial Center
(XINHUA, 24 Oct 84)..... 32

| | |
|---|----|
| Dalian Stepping Up Import of Technology (XINHUA, 5 Oct 84)..... | 33 |
| Dalian To Designate Economic Development Zone (XINHUA, 6 Oct 84)..... | 34 |
| State Council Outlines Qinhuangdao Development (XINHUA, 11 Oct 84)..... | 35 |
| Hebei's Qinhuangdao Opening to Outside World (XINHUA, 9 Oct 84)..... | 37 |
| State Council Circular on Opening Dalian City (XINHUA, 4 Oct 84)..... | 39 |
| Decision on Further Opening Dalian Reached (Liaoning Provincial Service, 7 Oct 84)..... | 41 |
| Shanghai Economic Strategy Viewed (Xue Muqiao; JINGJI RIBAO, 29 Sep 84)..... | 42 |
| Beihai City's Open-Door Policies Same as Hainan (ZHONGGUO XINWEN SHE, 23 Oct 84)..... | 44 |
| Briefs | |
| Shanghai Multiple Projects | 46 |
| New Shanghai Tourist Facilities | 46 |
| Garment Exports | 47 |
| AGGREGATE ECONOMIC DATA | |
| Briefs | |
| Hubei Industrial Production | 48 |
| ECONOMIC MANAGEMENT | |
| GUANGMING RIBAO on Necessity of Economic Reform (Gao Shangquan; GUANGMING RIBAO, 26 Oct 84)..... | 49 |
| GONGREN RIBAO Supports Decision of Urban Reform (Li Zhisheng; GONGREN RIBAO, 26 Oct 84)..... | 55 |
| Guizhou Issues Provisional Mine Management Regulations (Guizhou Provincial Service, 8 Nov 84)..... | 58 |
| Hunan: Conference Decides To Implement Key Projects (Hunan Provincial Service, 12 Nov 84)..... | 59 |
| Xinjiang Vice Chairman Speaks on Economic Reform (Xinjiang Regional Service, 12 Nov 84)..... | 60 |

| | |
|--|----|
| Hunan: Cadre Meeting Studies Central Decision (Hunan Provincial Service, 12 Nov 84)..... | 62 |
| Sichuan: Yuan Baohua at Managerial Responsibility Meeting (Sichuan Provincial Service, 14 Nov 84)..... | 66 |
| GUANGMING RIBAO on Enterprises Owned by Whole People (Tao Haisu; GUANGMING RIBAO, 28 Oct 84)..... | 67 |
| CHINA DAILY on Popular Western Training Programs (CHINA DAILY, 8 Nov 84)..... | 72 |
| FINANCE AND BANKING | |
| Township-Level Financial System Developed (XINHUA, 6 Nov 84)..... | 74 |
| Briefs | |
| Xinjiang Commodity Price Circular | 76 |
| Bank Delegation Leaves for Australia | 76 |
| MINERAL RESOURCES | |
| Briefs | |
| Heilongjiang Gold Output | 77 |
| Shandong Gold Production | 77 |
| INDUSTRY | |
| Role of Military in Construction Machinery Development (Tan Guoyu, Wang Yugui; GONGCHENG JIXIE [CONSTRUCTION MACHINERY AND EQUIPMENT], No 7, 1984)..... | 78 |
| Briefs | |
| New Low-Alloy Steel Tube | 89 |
| CONSTRUCTION | |
| Briefs | |
| Beijing Major Underpass Completed | 90 |
| DOMESTIC TRADE | |
| Problems, Suggestions Regarding Reform of Management System (Wu Taichang, Zhou Shushi; JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS], No 8, 20 Aug 84).... | 91 |

FOREIGN TRADE AND INVESTMENT

Tunisian Officials Talk With PRC Trade Aide
(L'ACTION, 19 Sep 84)..... 101

Briefs
Shanghai Maritime Law Office 102

LABOR AND WAGES

Jiangsu Holds First Individual Workers Congress
(Jiangsu Provincial Service, 7 Nov 84)..... 103

TRANSPORTATION

Briefs
Shandong-Yanshi Railway 104
Guizhou Air Transport 104

NATIONAL POLICY AND ISSUES

ROLE OF TAXATION

HK020636 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 84 pp 17-21

[Article by Dai Yuanchen [2071 0954 2525] of the Economic Research Institute, Chinese Academy of Social Sciences: "Substituting Tax Payments for Profit Delivery Is a Decisive Step in the Economic System Reform"--written in July 1984]

[Text] The substitution of tax payments for profit delivery, that is, the use of definite tax rates to replace the handing over of profits by state-owned enterprises, is an important macroeconomic policy of our nation. The substitution of tax payments for profit delivery uses the form of tax laws to stabilize the financial distribution relationship between the state and state-owned enterprises. It provides conditions for the further reform of the overall economic system, and conditions for the independent management of state-owned enterprises, so they will no longer have to eat from the "big pot" of the state. It is a key step in the reform of the economic system. The substitution of tax payments for profit delivery in our country has been divided into two steps. The first was to implement an income tax for state-owned enterprises. This was implemented in June 1983. The second step is a complete reform of the taxation system. It will be implemented in the fourth quarter of 1984. This article will probe, on a theoretical level, several questions relating to the reform of the economic system.

1. The reform of the financial distribution relationship between the state and state-owned enterprises will combine control of the macroeconomy with the enlivening of the microeconomy, and will provide conditions for the complete reform of the economic system.

The reform of the economic system requires the changing of the situation where enterprises eat from the "big pot" of the state and workers eat from the "big pot" of the enterprises. In this way, the enterprises will gain autonomy in production and operations and the economy will be enlivened, while the latent potential of the economy will be tapped. Many years of practice have proven that the enlivening of the microeconomy must be combined with macroeconomic control. When control is relaxed, flexibility often gets out of hand. Then control must be imposed again, and this makes it appear as if our policy is not constant.

It is very necessary to reform the financial distribution relationship between the state and enterprises. If all of the income of a state-owned enterprise is handed over to the state and all its expenditure is provided by the state, the enterprise will have no financial autonomy and regardless of whether the enterprise is well-run or poorly run, makes profits or makes losses, it is all the same. This cannot arouse the enthusiasm of the enterprises or of their workers. But how should we implement the reform? If we leave all the profits of a state-owned enterprise under the control of that enterprise, it will result both in a loss of control and in the state financial administration having no strength or responsibilities. In addition, due to reasons related to pricing, raw materials- and equipment, the disparity in the levels of different enterprise's profits would be great and this would create an irrational situation. Because it is not easy to determine profit retention methods and profit retention ratios, the financial distribution relationship between the state and the enterprises is not stable. A quite good method is to substitute tax payments for profit delivery. That is, the substitution, in state-owned enterprises, of taxation in accordance with tax categories and tax rates stipulated by the state to replace the handing over of profits. Profits remaining after taxes are paid are left in the hands of the enterprises. Thus the financial distribution relationship between the state and enterprises is stabilized through tax laws. Following the development of production and the growth of profits, there will be stable growth of both state financial revenues and funds under the control of enterprises.

The substitution of tax payments for profit delivery concurrently looks after the interests of both the state and the enterprises. Thus it is quite good form which joins together control and management of the macroeconomy with the enlivening of the microeconomy. As to the after-tax profits which are left with the enterprises, they are useful in arousing the enthusiasm of the enterprises and their workers, and are useful for enlivening the economy. There are also definite controls, as taxes must be levied at the rates stipulated by the state in a unified way. This not only allows enterprises to have definite funds under their control, but makes clear that enterprises can only obtain these funds through hard work. Enterprises where economic management is good and economic results are high are encouraged, while enterprises where economic management is poor and results low are spurred on. The controls and restraints in the substitution of tax payments for profit delivery provide conditions for progress in the reform of the economic system. In this way, for example, the 10 regulations on further extending the decisionmaking power of state industrial enterprises, put forward this year may be smoothly implemented.

2. Move toward enterprises which have Chinese characteristics, are solely responsible for profits and losses, and which are independent in operation. This will give the enterprises the ability to achieve better results.

Nowadays, people often say that tax evasion is rife in enterprises, there are many unutilized avenues and there is great potential for improvement. Actually this is only the visible waste. The invisible waste, that which results from lack of competitive pressure, from complacency and conservatism

in management and technology, and from sticking to convention, is even greater. Once the latent potential contained in the enterprises is tapped, the results will far surpass people's expectations.

How can we tap this latent potential then? The "big pot" fosters lazy people and stifles competition and vigor. Only when we smash the "big pot", shake off fetters, and let the people put their hands to work, will we have an automatic mechanism which will make use of all those unexploited opportunities. Thus, the key to the reform of the structure of state-owned enterprises is to smash the old system of unified responsibility for profits and losses and unified management and establish a new system where enterprises are solely responsible for profits and losses and have independent management. This will fully arouse the enthusiasm of the enterprises and their workers.

Of the various types of payment procedures, the handing over of an enterprise's entire profits to the state is a reflection of the old system of unified profits and losses and unified management. Profit retention methods require the approval of base figure and ratios by the central departments or local departments, and this encourages departmental ownership and retention of unified management, albeit on a reduced scale. As for methods of taxation, the rate of the levy is fixed and there is no need to go through level after level to obtain approval. Taxation directly manifests the relationship between the state and the enterprises and is beneficial to smashing local ownership and departmental ownership. After substituting tax payments for profit delivery, both the proportion of profits to be handed over to the state and the proportion to be retained will have to accord with set rules. Each will get their share and the phenomenon will be reduced. This will create conditions for enterprises to assume sole responsibility for profits and losses and to become independent in management.

A central question in handling the financial distribution relationship between the state and enterprises is whether the level of retained profits should be high or low. If the retained profits are too few, then it will be almost like having unified receipts and expenditure, and we will not be able to speak of sole responsibility for profits and losses, or arouse enthusiasm. However, if the retained profits are too great, then the state finances will not be able to bear it. The way out is, through reforming operations management, to raise economic results and gradually increase the amount of profit retained by the enterprises. The industrial, communications, and commercial enterprises in which the first step of the substitution of tax payments for profit delivery was carried out in 1983, retained a total of 12.1 billion yuan, an increase of 2.7 billion yuan, or 28.2 percent, over 1982. This greatly exceeds the growth rate in industrial production value, taxes realized, and profits handed over to the state. As a proportion of taxes paid, the amount retained by the enterprises rose to 17.9 percent from the former 15.7 percent. After the second step of the substitution of tax payments for profit delivery is carried out, the enterprises must relentlessly work for better economic results and a higher profit rate so that they can obtain more economic benefits. Large and medium-sized enterprises can, by increasing their profit growth rate, enjoy the advantages of reduced levying of the

regulatory taxes. This will give the enterprises great stamina. Latent potential in economic activities is just like ripe peaches at the top of a tree. The key lies in whether our system can encourage the enterprises and the workers to jump up to get them. The more we encourage their zeal, the more peaches they will pick.

3. The implementation of many tax categories and regular levying will regulate enterprise profits and organize revenue in many aspects.

After the implementation of the second step in the substitution of tax payments for profit delivery, there will be 11 adjusted, revived, or newly instituted tax categories. Along with the present 10 categories which will continue, our nation will have 21 industrial and commercial tax categories. Analyzing the nature of the tax categories, we find that four are circulatory taxes. These are the product tax, business tax, salt tax, and value-added tax. There are six income taxes, namely the industrial and commercial income tax, foreign enterprise income tax, joint venture income tax, personal income tax, state-owned enterprise income tax, and the regulatory tax. There are six local taxes comprising the tax on slaughtering animals, livestock trading tax, market tax, property tax, vehicle and boat usage tax, and urban construction maintenance tax. As for regulatory and differential income taxes, there are two: the resources tax and the land-use tax. In addition, there are three taxes levied for special purposes. These are the bonus tax, construction tax, and the special oil-burning tax. The above taxes complement one another, and form the basis for our nation's tax system, which will have many tax categories and regular levying. The framework for a new tax system, which accords with our nation's economic changes, has already been formed.

In the early part of the 1950's, in accordance with the diverse economic forms which existed concurrently and the relative preponderance of capitalist industry and commerce, our country implemented a tax system which had many categories and regular levying. After the basic completion of socialist transformation, we carried out reform of the tax system several times. This was mainly aimed at simplifying the tax system and merging tax categories. After 1973, only the one industrial and commercial tax was levied on state-owned enterprises. As for the collectives, only two types of taxes were levied, the industrial and commercial tax and the income tax. The tax system became gradually simplified. In one respect, the reasons for this were inseparably linked with the development of the general political and economic situation at that time. In addition, under the system of unified receipts and unified expenditure, profit variations were of no importance to the enterprises as they had no interests to protect. Thus it was no necessity for the enterprise's profits to be regulated in many aspects by taxation. Simplifying the complicated tax system became a general requirement for state-owned enterprises. Thus, the simplification of the complicated tax system into the single tax system was the product of the economic model at that time.

However, taxes have always been a lever for regulating profits and organizing revenue. If the tax system is made too simple, it restricts the bringing into play of the ordinary role of taxes to organize revenue and regulate

profits. Since the 3d Plenary Session of the 11th CPC Central Committee, we have implemented the policy of enlivening the domestic economy and opening to the outside world. Great changes have occurred in the economic situation and it has become gradually more obvious that the original over-simplified taxation system is not suited to the current economic situation. This is manifested in the fact that in our national economy, while the precondition of maintaining the leading role of the state sector has been firmly adhered to, other diversified economic forms have developed, new economic organizational forms and operational forms have come into being, and the channels of circulation have greatly increased. The important question is how do we organize revenue from many angles. As for the state-owned enterprises, the requirement of the reform of the economic structure is that enterprises no longer eat from the "big pot" of the state. Each enterprise should be solely responsible for profits and losses. After the enterprise has paid its taxes, the remaining profits will be left under the control of the enterprises. However, whether an enterprise makes profits or losses, and whether or not profits are great, is not solely determined by subjective factors. There are also objective factors. How do we regulate, within the limits of our ability, the objective factors which create uneven profit levels between enterprises, so that we can, as far as possible, reduce the phenomenon whereby differences in objective conditions create uneven benefits for enterprises? This is the great question facing the taxation system. This means that we must more fully bring into play the role of the taxation lever to regulate profits. However, one category of tax can only regulate profits in one aspect, and thus the depth and breadth of the regulation is restricted. The only way to accord with the objective demands of the new situation is to change the single tax system into one which has many tax categories and regular levying. Thereby, the various tax categories can bring their different roles into play in different fields of economic activity.

After the second step in the substitution of tax payments for profit delivery creates a new tax system, how can we, in many aspects, bring into play the role of taxation to organize revenue and regulate profits? The product tax, value-added tax, business tax, and salt tax which are levied in the commodity circulation process, are divisions of the original industrial and commercial tax. They are circulatory taxes. The prices of some products are high and others low, while some provide large profits and others small profits. We must impose high taxes on high-priced, large-profit products and low taxes on low-priced, small-profit products. The regulation of the profit levels of various products by the product tax is a most important regulatory measure. The product tax is levied on the total amount realized from the sales of the product. Some products, where the coordinating links in production are numerous, have taxes levied at each coordinating link. This means that the tax burden of the coordinating factories is much heavier than that of the all-purpose factories. This encourages the development of factories that are "large and complete" or "small but complete." Thus in some trades, we must implement value-added taxes, where taxes are not levied on the amount of product sales, but on the increased value of a product. This will regulate the tax responsibilities and profit levels between all-purpose plants and specialized plants, do away with double taxation, and will be beneficial to the development of specialization and coordination. The business tax is

a former tax that has been revived. The major reform is that it will be levied on wholesale commerce. For many years, the problem with our nation's commercial circulation system was that the circulation links were excessive and the directions of circulation were fixed on the basis of administrative levels. This produced many irrational phenomena. Thus we must expand the circulation channels and reduce circulation links. The business tax is levied on circulation links. If the circulation links are increased, the tax will increase likewise. This is precisely to encourage many channels with few links and to bring about a policy of rational responsibilities. The business tax rates will be decided on a trade basis. Some will be high and some low and they will regulate the profit levels of different commercial and service enterprises.

The reason for different enterprises having different profit levels, apart from the fact that they produce different products, is the disparities in their natural resources, geographical, technological, and other conditions. The resources tax, newly levied in the second step of the reform to substitute tax payments for profit delivery, is aimed at getting rid of the disparity in the level of profits of enterprises, which is brought about by differences in natural conditions. Through the tax, a part of the differential income will be returned to the state and the level of profits between enterprises will be regulated. In addition, the land use tax is for regulating the differential incomes which result from enterprises having different geographical positions, and promoting the economical use of land by enterprises.

Besides these, other taxes will be levied on enterprises. For example, the oil burning tax will be levied for the special purpose of encouraging the use of coal to replace oil as a fuel in enterprises. It is also a means of regulating those profits obtained by enterprises using cheap oil as fuel. By the use of different taxes imposed from different angles, we can regulate, to a certain extent, the situation of disparate profit levels between enterprises. However, the profits of an enterprise cannot be entirely left with the enterprise. We must carry out financial distribution between the state and the enterprises by using income taxes. A 55 percent income tax will be levied on large and medium-sized enterprises. For small-scale enterprises, we will implement an eight-level progressive income tax. The lowest tax rate will be 7 percent, while the highest will be 55 percent. Thus we will enable the small-scale enterprises to obtain more advantages from increased production and increased income.

Our nation's economic development is uneven, and advanced and backward enterprises exist together. Thus after the levying of the product tax, resources tax, and income tax, there will still be great disparities in the amount of profits retained by different enterprises. The profits left to some enterprises will be basically enough to cover their requirements. However, some enterprises will be left with far in excess of their needs. For these enterprises various plans have been proposed. First we could increase the product tax rates. This would regulate, through the product tax, the profits of these high-profit enterprises to a more rational level. However, enterprises where costs are high and profits low would be unable to bear this. This type of enterprise is wide spread and numerous. If product tax rates are too

high, it would expand the phenomena of loss-making and, which would have detrimental effects. Second we could expand income tax steps and increase income tax rates. While this would regulate the amount of profits retained by high-profit enterprises to a rational level, it would also result in a large proportion of enterprises not being able to retain enough for their needs. This would puncture the enthusiasm of the enterprises. Third, we could charge fees or levey taxes on the basis of fixed assets utilized by an enterprise. In theory, this could encourage the enterprise to pay attention to rational use of fixed assets. It would be a quite ideal method. However, many enterprises would be unable to bear this. At present the conditions for this are not ripe. Thus, from the angle of guaranteeing state financial revenue, there are many possible methods. However, as the ability of high-cost, low-profit backward enterprises to bear these is limited, the methods would give rise to new contradictions. This shows clearly that the long period of eating from the "big pot", where there was no competition between enterprises and no elimination through competition, produced results which cannot be quickly changed. We must make use of transitional methods. The regulatory tax was produced by such conditions. It will only be levied on those enterprises where large profits are retained after the levying of income taxes. It will only be necessary to levy this regulatory tax on about 10,000 of the over 40,000 state-owned enterprises. The actual profits retained by state-owned operations in 1983 will be used as the base figure and compared with the profits remaining after all taxes, including income taxes, are paid. This will be converted into a proportional tax rate. In actual implementation, this cannot but result in a separate tax rate for each enterprise. One of the characteristics of the tax lever is that unified tax rates can encourage the advanced and spur on the backward. A regulatory tax does not have this role. Thus it is said that the regulatory tax brings with it, to a certain extent, the old vestiges of profit retention. The measures we are adopting at present are to reduce the levy on increased profits by 70 percent, to change the linked rate into a fixed rate, and to guarantee no change for 7 years. This will be a definite encouragement to advanced enterprises. In future, following the development of competition, the backward enterprises will catch up or be eliminated through competition. Also, the situation where economic development is uneven will gradually be changed and the arrangement of the overall tax system can be further improved and perfected. In this way, the role of taxes as regulator of profits, as encouragement to the advanced, and as spur to the backward, will be better brought into play.

The second step of the reform to substitute tax payments for profit delivery will cause the tax system to become more complicated. But this will not be a return to the old system of the 1950's. It will be a new development under new economic conditions. At the same time, when comparing the many tax categories and regular levying with the single tax system of the 1970's, we cannot simply say that the more tax categories and the more regular their levying the better. The number of tax categories and the regularity of levying required is determined by the needs in utilizing the tax lever to regulate economic relationships. Under the precondition of bringing into play the regulatory role of taxes, the taxation system should be simplified as far as possible.

4. Through the adjustment of tax rates for the product tax and the value-added tax, the irrational pricing contradictions will be slowly resolved. In our country, various commodity prices have not been adjusted for a long time, and very irrational phenomena exist. Some commodities have high prices and produce large profits while others have low prices and small profits. If we wish enterprises to be solely responsible for profits and losses, we must appropriately resolve this contradiction, and make things a bit more rational. But the reform of the price system involves many fields and it is not possible to put things in order quickly. In a situation where pricing is still not rational we can, through adjusting tax rates, cause the profit levels for various products to be about the same. This is very important for developing competitive production and for resolving the problem of unfairness in financial distribution.

The second step of the reform to substitute tax payments for profit delivery has made great adjustments in regard to the items taxable under, and the rates of, the product tax. Some products in short supply which we need to develop, including energy products and daily use products like coal, coal-gas, liquefied natural gas, paper pulp, newsprint, pig iron, low-wattage light bulbs, daily use porcelain, toilet paper, and so on, have been allocated a low tax rate. In addition, cigarettes, wine, and sweets which formerly produced great tax revenues, leaving little profit for the enterprises which produced them, have also had their tax rates appropriately lowered. At the same time, some products of oil refineries, electric power, synthetic nitrogenous fertilizer, and iron and steel, have produced quite high profits because they utilize cheap raw materials. Also some products like tooth-paste, cigarette paper, and vehicle tires are in over-supply, and the profit rates for some products like Western medicines, perfumes, spices, asphalt felt and so on are quite high. As to these products, all must be subject to appropriately higher tax rates. There are also some products which have disparate profit levels due to differing production scales and conditions. For these, we must adopt the method of dividing tax rates into grades. Through the regulation, both upwards and downwards, of tax rates, we can adjust the profit levels between products. This will bring about improvement to the situation where disparate profit levels result from irrational pricing.

However, the prices should accord with the objective demands of pricing patterns. Twisted pricing often produces counteracting regulations and cannot help put the economy in order. Purchasing and sales pricing is confused. In some places, there is grain in large quantities but it is not sent to other areas. In some places, soybeans are overstocked, but locally people do not eat bean curd. This is disadvantageous to circulation and to the enlivening of the economy. If raw material prices are too low, and the price of processed goods too high, the raw materials producing areas will all wish to develop their own processing industries to prevent "benefits flowing to outsiders." Then each area would have its own small confectionery factory and small knitted goods factory. The wishes of each area in this regard would not be without reason. Where demand exceeds supply, prices should be high, and where supply exceeds demand, prices should be low. Thus supply and demand will gradually become balanced. If we act otherwise,

goods in short supply will not be able to fill demands, and the production of goods in over-supply will not be reduced. In the same way as the above, this is not a problem which can be solved by taxation. Taxation can only regulate profit levels. Only while pricing is still unable to bring about great changes, can taxation be used to slowly resolve irrational pricing contradictions. It cannot replace price reform. The question of irrational prices, in the end, can only be resolved through price adjustments.

We should also recognize that, in an economy where competition has a definite basis, the production operating levels of different enterprises producing the same type of product would be basically similar. It would be possible to determine tax rates on the basis of those enterprises a little above the median and thereby cause profit levels to be generally rational. However, for many years our country has neglected competition and this has resulted in the levels of production operation and costs being disparate in different enterprises producing the same type of product. This situation is difficult to change quickly, and thus we must base our tax rates on profit levels a little below the median. The regulation of profit levels between products through product taxes will also be restricted through this. It will result in a situation where, after taxes are paid, some enterprises will have incurred losses, while others will still have a high level of profits. We must utilize other regulatory methods. Again, whether it is product taxes or value-added taxes, the items taxable and the tax rates cannot be set in too detailed a manner. We should set rates by large categories or in steps. However, within one category, for example machinery or Western medicine, there may be great differences in prices and profit levels between different types and different standards of product. If we set a tax rate on the basis of a large category, it will be unable to regulate the profit levels between different types and standards. In this aspect, we still need to make pricing rational. Thus we will be able to make profit levels rational. If we do not do this, we will have to utilize other regulatory measures. The various forms mentioned above, where product taxes and value-added taxes are used to regulate profits and thereby to slowly resolve irrational pricing contradictions, all have definite limitations.

Seen from the different roles of the tax lever and the pricing lever, we should, through high and low tax rates, manifest the state's policies of encouragement and restriction, and guide the direction of economic development. The tax rates must be relatively stable. Pricing will continuously carry out adjustments in accordance with changes in supply and demand. Because prices are unable to change greatly, taxation is to be used to gradually resolve the irrational contradictions. But in the end, this is just a measure of expedience. In the future, following the adjustment and reform of prices, gradually they will become more rational, and taxation will also need to be appropriately adjusted. At that time, taxation will be a lever for regulating profits. But it will not be necessary for it to be too complicated, nor for taxable items or tax rates to be detailed too finely. This is because the price contradictions will have been resolved by pricing itself. Also, the role of taxation as a manifestation of the policies of encouragement and restriction will have become more obvious.

NATIONAL POLICY AND ISSUES

REFORMING ECONOMIC RELATIONS

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 84 pp 42-48

[Article by Mao Tianqi [0379 1131 0796] of the Economic Research Office of the Chinese Academy of Social Sciences: "On Putting Economic Relations in Order"--revised article of July, 1984]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, our national economy has been steadily developing amid readjustment and reform. However, economic relations have not yet been completely put in order. This problem affects both the basic improvement of our country's finance and economy and the "staying power" of our economic development.

I

The assertion that economic relations have not been put in order means two things: first, various major proportional relations of the national economy, including those between agriculture, light industry, and heavy industry, are not yet very well coordinated; within the agricultural and industrial sectors, the occupational structure, composition of products, and organizational structure of enterprises must continue to be readjusted; and second, between the state, the enterprise, and the individual, between the central authorities and local authorities, and between the workers and peasants, there are still many contradictions in relations of distribution of interests; there are also many problems concerning prices, wages, taxation, and their management, reforms are necessary. With the development of the socialist production and exchange of commodities, the second of the two things mentioned above has become a more serious matter than the first, because it basically restricts the coordination of socialist economic relations and the creation of a healthy national economic cycle.

In general, the fact that economic relations have not been completely put in order to mainly reflected in the following phenomena:

1. There has not been any major improvement in the situation of poor economic results. Since the 12th CPC Congress, at which it was put forth that all economic work must be shifted to the path of having the improvement of economic results as the center, there have been improvements year after year

in the situation of poor economic results, but these improvements have not been very satisfactory. For 1983, the budgeted target for the increase in the state industrial enterprises' total output value over the previous year was 9.3 percent, but the amount of realized taxes and profits grew by only 6.3 percent, and amount of taxes paid and profits turned over to higher authorities increased by only 2 percent, and the proportion of profits and taxes in the output value, expressed as an amount per 100 yuan of output value, even dropped 0.85 percent. The consumption of materials by the state enterprises was generally excessive; comparable production costs decreased by 0.2 percent in 1983 against the 0.1 percent decrease in the previous year, falling short of the planned target of 2 percent. Considering the composition of the value of the social product, in recent years, c grew faster than $(v + m)$ which in turn grew faster than m . These facts show that our economic work has not been completely freed from the beaten track of one-sidedly striving for rapid output value growth at the expense of economic results.

2. Various subsidies paid out of the state's fiscal funds are excessive. At present, such subsidies mainly include price subsidies for goods, various tax concessions, and subsidies for making good the enterprises' deficits. Under ordinary circumstances, the finance of the state should improve with economic development; however, if the amount of price subsidies is large, difficulties in finance will increase with the progress of economic development. During the 4 years from 1979 to 1982, the total subsidies paid out of the state's fiscal funds amounted to nearly 150 billion yuan. In 1978, the fiscal subsidies paid by the state amounted to 16 billion yuan, approximately equal to 14 percent of the state's fiscal revenue for that year; in 1982, fiscal subsidies reached 43 billion yuan (out of which over 33 billion yuan was price subsidies), or 38 percent of the state's fiscal revenue for that year; thus, subsidies increased at an average annual rate of 28 percent. If this trend continues, difficulties in the finance of the state will keep on worsening.

3. The overall scale of investment in fixed assets is still excessive. In 1982, total investment in fixed assets increased by 17.8 billion yuan or 26 percent compared with the previous year, much faster than the 7.2 percent growth in national income. In 1983, despite a series of measures taken by the State Council, total investment still grew by 10.66 billion yuan or 12.6 percent, faster than the 9 percent growth in national income. The capital construction investment in the Sixth Five-Year Plan period is set at 230 billion yuan, but from 1981 to 1983 actual investment reached 159.2 billion yuan. If this situation is not brought under control, not only will many problems arise in national income distribution and in finance, but contradictions in market demand and supply will continue to intensify.

4. The output of the means of subsistence grows too slowly. Since the 3d Plenary Session of the 11th Central Committee, the state has adopted a series of special policies to increase the proportion of consumption funds in the outlay of the national income, the level of consumption of the urban and rural populations has risen, and in particular, money income has increased even faster. However, in comparison, the output of the means of subsistence

has grown too slowly, the variety and quality of products cannot satisfy the people's needs, and the problem of consumers holding money and waiting for opportunities for making purchases is becoming increasingly more serious. By the end of 1983, the cumulative excess social purchasing power had reached 150 billion yuan. This undoubtedly represents a huge potential pressure affecting equilibrium in market demand and supply.

5. Foreign exchange reserves are excessive. With the achievement of surplus in export trade in successive recent years, the state's foreign exchange reserves have grown very fast, reaching 11.13 billion dollars in 1982. This naturally reflects the development of production in our country and the strengthening of our ability to earn foreign exchange through exporting; however, this also demonstrates that we have not opportunely used foreign exchange for circulation.

The abovementioned results of the fact that economic relations have not been put in order are markedly reflected in the state's fiscal deficits, the excess supply of money, the shortage of goods and materials, and the rise of prices of goods.

From 1979 to 1983, the cumulative state financial deficits, excluding internal and external debts such as treasury bills, added up to 39.6 billion yuan.

Between 1978 and 1983, the quantity of money in circulation on the market increased by 150 percent, at an average annual rate of 20 percent, but the average annual rate of national income growth was only 6.9 percent.

Between 1979 and 1983, retail commodity prices in our country rose 14.5 percent, while the prices of the major means of production, such as steel products, cement, lumber, and so on, rose even faster than those of the means of livelihood. Since 1983, the prices of nonstaple foods, which are closely related to the livelihood of the masses of people, have risen at two-digit rates--12.7 percent for fresh vegetables, 13.4 percent for aquatic products, and 14.7 percent for fresh fruits.

Putting economic relations in order means that while continuing to correct "leftist" mistakes in economic work, we must conscientiously implement the guiding principles of readjusting, restructuring, consolidating, and improving; we must satisfactorily achieve comprehensive macroeconomic equilibrium; we must, in accordance with objective economic laws, particularly the law of value and the law of distribution according to work done, readjust the relations of interests between the state, the enterprise, and the individual, between the central authorities and local authorities, and between the cities and the countryside; we must reform those policies and systems which are incompatible with the vigorous development of the socialist production and circulation of commodities; we must rectify the enterprises, establish and perfect various types of economic responsibility systems, and quicken the work of "shifting enterprises onto new paths and changing them into new types of enterprises"; and we must improve the comprehensive economic results of the national economy so that various categories of economic work can, according to objective economic laws of socialism, smoothly proceed in a normal way along the track of a healthy cycle.

II

Since the 3d Plenary Session of the 11th CPC Central Committee, while gradually deepening our knowledge of the defects of our original systems, we have carried out partial economic reforms through experimentation at selected points, and have implemented some economic policies conducive to developing the socialist production and circulation of commodities. This is a major reason for the steady national economic growth over the past several years. Moreover, the partial reform at experimental points have enabled us to further understand that the problems with our economic relations are often related to the irrationality of the existing economic systems, and that in particular those systems and policies which work against the vigorous development of the socialist production and exchange of commodities are often major causes of the problems with our economic relations. Therefore, in order to put economic relations in order, we must reform or readjust these economic systems and policies.

Let us first discuss the question of prices. Prices and the price management system are the most sensitive of all economic issues. The current readjustment of our irrational pricing system and the current reform of our commodity price management system which is marked by overconcentration directly work to put in order a major constituent part of our economic relations. Considering the pricing system, within the agricultural sector, the irrational relative prices of grain crops and industrial crops have led to anomalous increases in the output of certain industrial crops; and within the industrial sector, the unreasonably low prices of energy resources, materials, and raw materials and the irrational relative prices of various processed industrial products have artificially led to inequality in earnings between various industries or enterprises. Considering the example of coal, in 1982, out of the 98 coal mines in our country which are directly under the central authorities and which are subject to unified pricing, 64 incurred deficits; the losses incurred by this 65.3 percent of those coal mines led to a deficit for the whole industry. Because of the unreasonably low prices of coal and the increase in demand, not only has it been difficult to popularize energy-saving technological measures, but the phenomenon of coexistence of many coal prices has appeared. It is known that in 1982, there were 12 different coal prices in our country, with unified prices and negotiated prices differing by nearly 300 percent. The direct undesirable economic consequences of irrational relative prices are as follows: 1) It is difficult to carry out normal economic accounting in the enterprises; it reduces state fiscal revenue and increases fiscal subsidies; 2) it is difficult to develop circulation; for some commodities for which there is a great social demand, because of the inverted structure of purchase prices and selling prices, the processing sectors are unwilling to process them, the commercial sector is unwilling to handle them, and various localities are also unwilling to trade in them across local boundaries, so that it is "difficult to buy or sell them"; 3) there is no realistic basis for the formulation of either directive plans or guidance plans. Considering the price management system, at present, out of the social total retail value of commodities, around 70 percent represents transactions carried out according to prices stipulated by the state, a little more than 4 percent represents transactions carried out solely

according to market prices, and only a small proportion involves slight fluctuations around the prices stipulated by the state. The enterprises basically do not enjoy any power over the setting of prices. This method, characterized by the concentration of power in pricing management, is disadvantageous to the vigorous development of the production and exchange of commodities. In grasping the readjustment of the pricing system and the reform of the pricing management system, we should treat them as breakthroughs in putting economic relations in order. Of course, this work involves many different fields. We must organize the forces of various quarters to carry out in-depth research and do repeated calculations, and we must work carefully.

Let us now discuss the question of wages. Over the past 30-odd years, the increases in workers' wages in our country actually were not really incorporated into the comprehensive equilibrium of our national economy. It was only when problems had grown to a critical magnitude, when changes became unavoidable, that some money was set aside with difficulty for wage readjustments. Since the 3d Plenary Session of the 11th CPC Central Committee, the state has provided large sums of money to make up for such "debts"; however, these payments were neither well planned nor in proper proportions, so that raises in workers' wages sometimes suddenly accelerated but sometimes slowed down abruptly. Moreover, if we judge from the trend of development, compared with commodity prices which have risen despite the general trend of price stability, workers' wages have fallen despite the general trend of stable wages. The following table shows this point:

| | 1979-1983 | 1981-1983 | 1983 |
|--|-----------|-----------|--------|
| Increase in national income (billion yuan) | 1,633 | 985 | 462 |
| (i) Annual national income growth rate (percent) | .6.9 | 7 | 9 |
| Increase in total wages (billion Yuan) | 374.8 | 171.1 | 61.5 |
| (ii) Annual total wages growth rate (percent) | 10.6 | 6.9 | 7 |
| (i):(ii) | 1:1.54 | 1:0.98 | 1:0.78 |
| (iii) Average annual growth in labor productivity for all workers in industrial enterprises under ownership by the whole people | 3.2 | 2.6 | 7.5 |
| (iv) Average annual growth in workers' average wages (percent) | 6.1 | 2.7 | 3.5 |
| (iii):(iv) | 1:1.91 | 1:1.04 | 1:0.47 |

(Source: "Statistical Yearbook of China, 1983," pp 293, 485)

Generally speaking, the increase in the workers' total wages and the increase in the workers' average wages should be some fixed proportions of the increase in national income and the increase in labor productivity respectively. From the table above, it can be seen that over the past 5 years, the total wages of the workers in our country and their average wages did grow too fast, the main reason for this problem was that the growth in 1979 and 1980 was too fast. Nevertheless, during the 3 years preceding the Sixth Five-Year Plan period, the situation of overly rapid growth was brought under control. In 1983, however, the control over the workers' wages was too tight; if the factor of rising prices is taken into account, the problem was even more serious. From 1978 to 1983, retail prices of goods in our country rose at an average annual rate of 2.7 percent. In 1983, they rose 1.5 percent even though the government adopted a series of relevant measures. Therefore, in our future wage system reforms, in the light of the overall trend of rising prices of goods, we should really link increases in workers' wages to price rises; this is a socioeconomic condition necessary for ensuring the smooth progress of the readjustment of prices of goods. Moreover, we should readjust the irrational wage grades and carry out reforms to solve problems such as the overconcentration of management power. All these steps are necessary for putting in order the relations between the state, the enterprise, and the individual.

The readjustment of prices of goods and wages and the reform of the wage system and the pricing system are two matters of supreme importance in putting economic relations in order. They are directly related to the implementation of the law of value and the law of distribution according to work done.

Finally, let us discuss the question of the relations of distribution of interests between the state and the state enterprises, and the question of reforms of the form of enterprise management by the state.

The substitution of taxes for profit delivery is currently an effective measure for perfecting the relations between the state and the enterprise. It can help ensure a steady fiscal revenue for the state. Its role in helping put economic relations in order is obvious. Moreover, it brings vitality to the enterprises, helping them develop economic activities. After paying taxes according to law, the enterprises can now reap greater benefits from their own additional profits, and these increased benefits can be used for technological transformation or for carrying out self-financed wage reforms. This improvement of overall social economic results furnishes a relaxing economic condition for putting economic relations in order. At present, the key question in improving the enterprises' economic results is the satisfactory "shifting of enterprises onto new paths and changing of enterprises into new types of enterprises," with production-type management changing into production-and-operation-type management so that the enterprises can become socialist producers of commodities under the guidance of state planning. The concrete measures should be as follows: 1. Economic responsibility systems practiced within the enterprises must be more rigorous. Various rules, regulations, and systems for unifying decisionmaking power, responsibility, and interests must be established and perfected. Inside the

enterprises, practices of "eating out of the same big pot" must be ended. The quality of the enterprises must be improved on an overall scale. 2. The achievement of technological progress by the enterprises must be promoted. The old method whereby enterprise renewal compensation funds are provided by the financial authorities through central planning must be reformed, so that the enterprises can have the ability to carry out technological transformation. 3. Various measures must be adopted to reduce the consumption of materialized labor. 4. The enterprises must establish a sense of operation. They must plan production in the light of social needs and market conditions, establish direct links between production and consumption, adopt many varied forms of operation, and vigorously develop marketable commodities. Other related measures include the reorganization and integration of enterprises, the removing of obstacles in circulation channels, and so on.

The steady increase of the state's fiscal revenue and the improvement of the enterprises' economic results can help create vast room for maneuver in putting economic relations in order and will also naturally help strengthen the "sustaining power" of economic development.

Of course, completely putting economic relations in order amounts to an arduous and complicated task which depends on the overall reform of our economic system. Nevertheless, in order to gradually put economic relations relations in order, it is necessary at present to satisfactorily achieve macroeconomic equilibrium, to readjust prices of goods and wages, to readjust the relations of distribution of interests between the state and the enterprise, to change through reforms the forms of management--currently marked by overconcentration--of prices of goods, wages, and the enterprises, and to improve economic results; these several important tasks can be accomplished through our efforts.

CSO: 4006/77

NATIONAL POLICY AND ISSUES

TECHNOLOGICAL REVOLUTION IN CHINA

HK020921 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 84 pp 59-64

[Article by Yang Mu [2254 3092] of the Industrial Economic Research Institute of the China Academy of Social Sciences: "New Technological Revolution and Technological Progress of China's Industry"--written in July 1984]

[Text] The realization of our country's strategic goal for the year 2000 relies 50 percent on the progress of science and technology. At present, a new technological revolution is vigorously rising in the world and this provides a favorable opportunity for the technical progress of our country's industry. We are faced with the urgent task of appropriately and satisfactorily exploiting this opportunity so that we will not only be able to strive to bypass some traditional stages of development but will also be able to avoid both the trend of seeking impractical speed impatiently or the huge waste that may be caused by such great speed.

1. The Main Orientation of the Technological Progress of Our Country's Industry at Present

The technological progress of a country's industry may consist of many aspects, such as the expansion of production capacity, the raising of production efficiency, the conservation of labor, the reduction of labor intensity, the improvement of the quality of the products, the reduction of material consumption and the elimination of environmental pollution. Since the first industrial revolution, the main orientation of the technological revolution of the human race has always been focused on achieving higher productivity and substituting machines for manual labor. Now there has emerged a new trend, and the focus of the new technological revolution will switch to the three aspects of giving priority to and attaching importance to the conservation and utilization of energy and raw materials, paying attention to the possible impact of the new technology on the biosphere, and substituting electronic computers for mental labor and using computers to expand the capacity of mental labor. How should we choose the main orientation for the current technological progress of our country's industry in the face of this historic change?

In the past, the development of the technological progress of our country was basically centered on the expansion of production capacity. Most of the industrial enterprises throughout the country have developed on the basis of the import of technology during the 1950's. In the main, these enterprises are applying old designs and technology to repeat the production of the products of the 1940's and 1950's. This kind of technological progress which was centered on expanding production capacity is one of the reasons why the current level of technology of our country's industry lags behind foreign countries by 20 to 30 years. If we continue to follow this road of decline, obviously, it will be impossible for us to speed up the process of narrowing the gap between us and the industrially developed countries.

Another alternative is to speed up the introduction of all the major technology of the 1960's and 1970's from other countries and follow the old path of the developed countries. Some industrialists abroad have also tried to persuade us to make this choice and have expressed their willingness to sell their outdated equipment at reduced prices or even "generously" give it to us as a gift. This would seem to enable us to reduce investment and quicken the paces of catching up. However, we should carefully weigh the advantages and disadvantages. During the 1960's, under the situation of a plentiful supply of cheap petroleum in the world market, the various kinds of new technology that pursued the raising of production efficiency and the conservation of labor were mainly characterized by excessive energy consumption. Therefore, since the trend of world technological progress has already switched onto attaching importance to the conservation of energy and raw materials, we must act prudently in introducing the technology of the 1960's and 1970's from abroad. The lessons that many developing countries have learned from their neglect of the change in international conditions and neglect of their national conditions in copying the experiences of foreign countries are worthy of our reference.

A third alternative is to copy the major trend of the new technological revolution of the world and scramble with developed countries for first place in making technological breakthroughs. In the face of the challenge of a new world technological revolution, all countries should reconsider and search for a new path of development. However, we must admit that technological progress is a historical process which is characterized by continuity, is a powerful motive force to promote the development of production, and is restricted by the level of the actual development of the productive force. For example, concerning the level of the development of information circulation, today, the ratio of the popularization of telephones is 83.7 percent in the United States, but that in our country is only 0.4 percent. The annual per capita number of items delivered by mail is 200-500 in the United States, while that in our country is only 3.3. Therefore, because of the difference in the level of the development of information circulation, the urgency for substituting electronic computers for mental labor also differs for the two countries. That is why they cannot adopt the same orientation for their technological progress.

The history of world technological progress has proved that whether or not the orientation of technological progress is correct should be determined

by whether it promotes or delays the next process of the technological progress. A common vital problem for the technological progress of less-advanced countries is the lack of funds and foreign exchange. However, in order to solve this problem in our country, in pursuing technological progress at present, we must regard as the main orientation the improvement of quality and the reduction of consumption.

The major cause for the low accumulation and low capability for earning foreign exchange in our country's industry is the poor quality of its products and the excessive consumption. During the past few years, our country has achieved some increase in its economic results, but this has mainly been achieved by means of readjusting the structure of various sections and by means of improving administration and management. Compared with this, we have made little progress in raising economic results by means of making technological progress, improving quality, and reducing consumption. In 1982, total industrial costs dropped by 0.04 percent over those in 1981. In 1983, it was 0.2 percent less than in 1982. We failed to meet the requirements of the state annual plans for the 2 years. Compared with the year 1978, there was no marked improvement in the quality of our major products. According to the statistics for 1983 that were gathered by the State Statistical Bureau in 9,754 state-run industrial enterprises in 46 cities, the ratio of material consumption to gross output value rose by 0.9 percent over 1982 and the rate of increase in the sales of products was 1.5 percent less than the rate of increase in gross industrial output value. Therefore, relying mainly on technological progress to improve quality and reduce consumption is the key to overcoming the difficulties related to low level of accumulation and shortage of funds in the development of our country's industry.

We should particularly realize that as the urban structural reform gradually deepens, on the one hand, because competition is allowed, there will be a demand for an increasingly higher quality in our industrial products and an increasingly greater pressure for prices of products to fall; on the other hand, because the prices of agricultural and sideline products, energy, and raw materials increase and because of the increase in the wages of our staff and workers, there will be an increasingly greater pressure for the prices of our industrial products to rise. In the face of this trend, only by relying on technological progress in improving quality and reducing consumption can our enterprises find a way out.

At present, petroleum, coal and other energy sources constitute some 25 percent of our country's total exports. In order to change this structure of our exports and thus keep more resources to be used at home, we should substitute the export of more industrial products for the export of energy. This also requires that our products must have a greater competitive edge in their quality, variety, consumption, costs and after-sales service, and thus be able to enter international markets. However, at present, our country fails by far in this aspect. Last year, only 10 percent of the over 7,000 kinds of products that were displayed in the new products exhibition that was held in Beijing were of international standard. Improving quality and reducing consumption is the key to sharpening our country's competitive edge in its foreign trade, expanding the export of industrial products, and obtaining more foreign exchange in order to introduce advanced technology.

Some comrades hold that, while it is important to improve quality and reduce consumption, the idea that regards this as the major orientation of our country's technological progress fails to look into the problem all-sidedly. They think that raising labor productivity and raising the ratio of the utilization of equipment should also be regarded as a major orientation of our technological progress. Indeed, there is very great potential to tap in the demands of our domestic market and it is imperative to strive to speed up the development of our industry and produce more products. However, this should be achieved under the precondition of improving quality and reducing consumption. If we neglect this precondition, even though we have raised our labor productivity and ratio of the utilization of equipment and increased our output, we will not only fail to make our products enter the international market, but will also greatly increase the consumption of energy and raw materials. Thus, the macroeconomic results are not necessarily good.

Regarding improving the quality of products and reducing material consumption as the major orientation does not mean that we should negate other aspects of technological progress such as the raising of labor productivity and of the ratio of the utilization of equipment. Under the situation whereby our country is faced with the problem of energy, communications, and transportation lagging far behind the development of the national economy and whereby the production of the major components of rising technology has not yet developed into large-scale industrialized production, it is still necessary to import full sets of large equipment in order to increase our production capacity. Moreover, we should not overlook other aspects of technological progress such as the improvement of labor conditions and the elimination of environmental pollution. However, in order to give rise to a benign cycle of technological progress and gradually change the situation of low economic results and overcome difficulties related to funds, during the current period, we should attach particular importance to improving the quality of our products and reducing our material consumption. This is entirely necessary and is what we are certainly capable of achieving.

2. What New Technology Should We Choose as the Key

Many scholars hold that the current new technological revolution mainly denotes the development in information technology, biological technology, the technology related to materials, space technology and marine engineering technology. As a large country that has a relatively comprehensive industrial foundation and that is attempting to relatively quickly catch up with world advanced level, it is inevitable for our country to be faced with the following dilemma: It wants to achieve all-round development, but finds it difficult because it lacks funds and technical foundation; and it wants to select key sectors, but finds it difficult to give up other sectors. I am of the opinion that determining the major orientation of our country's industrial technological progress should be the basis for the correct selection of the major sectors of new technology. In other words, in order to speed up the technological progress in our country's industry, at present, we should focus on developing and utilizing the new technology that will be able to promote wide improvement in the quality of our products and reduce

material consumption. Judging by the practice in the development of industry at home and abroad in the past few years, a new technology has already emerged, namely, the microelectronic technology--in particular, its sector of the technology for applying microcomputers.

Microcomputers are an important invention of the 1970's and their emergence has greatly raised social productivity, reduced the consumption of energy and raw materials and made the world forge ahead toward the epoch of information. For example, the application of microcomputers in automatically adjusting the flow of gas and air in automobile engines and the circulation and discharging of waste air will reduce the consumption of gasoline by 25 percent. The application of microcomputer systems in controlling boilers will reduce fuel consumption by 8 to 10 percent. In our machine-building industry, the application of microcomputers in controlling the speed of motors will reduce the consumption of energy by 17-30 percent and reduce costs by 50 percent. The application of microcomputers in our chemical industry to accurately control the proportion between steam and gas will reduce fuel consumption by 5 percent. In our textile industry, we can use microcomputers to automatically match colors, thus shortening the time spent in matching colors from several days to several minutes and reducing fuel consumption by 10-20 percent. Among the new products developed by world industry, the number of the products equipped with electronic components and microcomputers has become increasingly larger. In 1982, electronic wrist watches constituted 69 percent of the watch output in Japan and the percentage of electronic toys in the total sales of toys in the United States rose from 19 percent in 1981 to 31 percent in 1982. Some people abroad have estimated that by 1985, all newly-made automobiles will be equipped with microcomputers and some of the high-class sedans will be equipped with 10-15 microcomputers. The application of electronic technology and in particular of microcomputers in the machinery, electric, and instrument industries has given rise to a qualitative change in the structure and function of the labor tools used in these industries. For example, numerical control machine tools, soft production lines, robots and intelligent instruments are the extension of man's manual and mental ability. They have the highly intelligence function to process data, exercise control, make judgments and policy decisions and adapt themselves to changing circumstances. We can say that the quality of the mechanical and electric equipment, family electrical appliances and many other industrial products are to a great extent determined by the degree of the application of microelectronic technology in them.

Since our country successfully developed its first generation of microcomputers, the production of microcomputers has developed quickly. At present, there are already several tens of thousands of microcomputers throughout the country and the application of microcomputers has been popularized in many fields including industry, agriculture, economic management, information filing, medical undertakings and scientific research. At present, we are further deepening and widening the work to popularize the application. As microcomputers have the characteristics of small size, light weight, less energy consumption, low costs, flexible system design and convenient maintenance, not only can our large and medium-sized factories and mines which already have a relatively sound technological foundation use them to further

heighten their technological level, but even some of our small enterprises, including neighborhood factories and township factories can also use them to further improve the quality of their products, and reduce consumption. In a large factory like the capital iron and steel complex, by the combined application of many microcomputers and medium-size computers in the administration and management of its production, the complex can directly increase its profits by 700,000 to 800,000 yuan every year. For another example, with the help of the Shanghai applied electronics institute, the Shanghai cap knitting factory, a poorly equipped small factory, has used microcomputers to control five knitting machines which were formerly controlled through photoelectronic scanning. As a result, it has not only heightened the stability of the cap knitting operation of these machines but also enabled them to produce new types of products for exports which they could not produce before. Moreover, it has thus shortened the time for designing a new product from 3 days to 1/2 hour. Facts have proved that the popularization of the application of microcomputers fits the current technological level of our country's industry. Theory, some comrades agree that in researching into the policies to counter the new technological revolution, we should draw on lessons from the failure of our country in its previous efforts to "catch up and surpass in an all-round manner" and to "form a self-inclusive system" and they think that we should fix a limited goal and select a certain sector as the key sector.

However, as to which sector should be chosen as the key sector, they say that we should regard the development of information technology as the key sector while putting biological engineering, space technology, nuclear technology and marine engineering technology all in an important position. By so doing, they have listed nearly all the new technology and there will in fact be no key sector. Under the present situation whereby our country lacks funds, this idea will only lead to dispersion of investment and hinder technological progress. From the viewpoint of a system of industry, the technology that is selected as the key should be able to push the whole system up onto a new technological level and should not merely be a technology that can give rise to a new industry on its own. Facts have proved that it is possible to bring about such a change in the system of our country's industry through the widespread popularization of microcomputers. First, the popularization is conducive to combining microelectronic technology with mechanical, electric, and instrument technology and thus enables our production of means of production and labor tools to reach a relatively high technological level earlier than other sectors. For example, the grinding machines produced by Shanghai machine tool plant have been in short supply in the world market since microcomputers have been installed on them. Starting from this point of view, we will, on the one hand, replace year by year the old machine tools that are widely in use in our country with newly-developed mathematical control machine tools and on the other hand, we will use microelectronic technology and other new technology to transform some of them which are worthwhile being transformed (these machine tools account for about one third of the existing machine tools in our country). It is estimated that through such transformation, we will raise their efficiency by 20 percent and their accuracy by 1 or 2 grades. As for the expense of the transformation, it

will be 30-50 percent of the original value of the medium-sized and small machine tools and will be 5-15 percent of that of large or heavy machine tools. By so doing, we will relatively quickly enable the machine tools that manufacture equipment for the whole national economy, to reach international level earlier than others. Moreover, this will be conducive to improving the current capacity of our industry in controlling its production processes, improve the quality of its products, and reduce consumption. For example, Wushun aluminum electrolyzation plant has used microcomputers to control the intensity and voltage of the electric current in its electrolyzers, thus reducing the per ton consumption of electricity by 170 kilowatt-hours and enabling the conservation of 4 million kilowatt-hours of electricity every year in the plant's 144 electrolyzers. If this is popularized widely in all the large aluminum factories throughout the country, we will conserve 52 million kilowatt-hours a year, worth 17 million yuan. If we use, as soon as possible, microcomputers to control the processes in our iron and steel, nonferrous metallurgical, chemical, building materials and light and textile industries, such as the operation of their furnaces, kilns, electrolyzers, rolling mills and dyeing equipment, we will be able to greatly raise the economic results in our country's industrial production. Besides, the application of microcomputers in a widespread manner will also be conducive to raising the management level of our country's industry. For example, Beijing automobile plant uses microcomputers to administer its automated automobile components warehouse. This has enabled the plant to raise the utilization rate of its 1,508 storage compartments from 60 percent to 80 percent, quickened the process of storing parts and components, reduced the stock and speeded up the circulation of funds.

No other technology, whether it is biological, materials, space, nuclear, marine engineering or information technology, can play an equal role in promoting the technological progress of our country's industry to that which microelectronic technology, in particular, the popularization of the application of microcomputers, can play. Of course, focusing on a key sector does not mean that we can overlook other sectors. Whether a sector is key or not will change as the country makes progress in its industrial technology and as the degree of maturity of the technology itself changes. A few years later, biological technology, materials technology, or the technology related to new energy may become the key. Besides, we should not think that there is a relation of subordination between key and non key sectors. We should coordinate the development of these sectors, make them promote each other and thus form a comprehensively balanced relation between them. In order to speed up the popularization of the application of microcomputers, we should correspondingly develop computer technology, the technology related to large-scale integrated circuits and materials, and modern telecommunications technology (such as optical fiber digital telecommunications and telecommunications through satellites). We should also gradually expand the capacity of our country's industry and established a larger number of new industrial sectors.

From another point of view, speeding up the popularization of the application of microcomputers will play a powerful role in promoting the development of information technology in our country. A fundamental reason why the technological level of our country's production of microelectronic components and microcomputers is relatively low is because we have failed to pay correspondingly great attention to the exploitation and application of them. For a relatively long period in the past, the guiding thought for our country in developing computer industry was to attach importance to production and neglect application, to attach importance to central processing units and neglect the parts to enable them to be formed into full sets, and to attach importance to hardware and neglect software. There have been some changes in the past few years, but as far as microcomputers are concerned, the number of them that could be popularized to millions of customers has been small and the size of each batch of the production of microcomputers is limited. If we can relatively quickly change this situation and develop a number of types of microcomputers that can be applied widely and can produce relatively great economic results, we will stabilize the production of our microcomputer industry and lower the costs of microcomputers. At the same time, this will be conducive to adopting the method of combining technology and trade to introduce technology and raise our technological level in producing large-scale integrated circuits and microcomputers. Because of the widespread application of microcomputers in our production and management, the circulation of information in our country's economic sector will quickly increase, the percentage of the workers doing jobs related to information in our total number of laborers will rapidly rise, demand for using computers to replace mental labor will become even more urgent, a nationwide data communications network, an industry that produces various kinds of software and a sector that sells computers or provides computer service will be established one by one and thus an epoch of information will arrive in our country at an earlier date.

3. Establish a System To Promote the Technological Progress of Our Industry

There are certain relations between the technological progress of a country and its economic system. When the major orientation of technological progress is to expand production capacity, the state hopes that it is able to concentrate as much funds as possible on building new projects or introducing full sets of equipment, and that the greater the output of the old enterprises the better, no matter whether these enterprises are using outdated equipment to produce products of poor quality and excessive consumption. However, when the orientation of technological progress has been switched to improving quality and reducing consumption, it becomes very difficult for us to rely on the state to draw up concrete plans that fit the reality for its hundreds of thousands of enterprises. We can only mainly rely on the existing enterprises themselves to apply various kinds of new technology, transform equipment, and develop new products to replace old ones. Therefore, we should gradually increase the percentage of the investment in technological transformation in our investment in fixed assets. From 1953 to 1980, the percentage of our country's fixed assets investment that is used in technological

transformation and technological measures rose from 1.3 percent to 25.1 percent, an annual increase of 0.88 percent on average. From 1980 to 1983, it rose by 4.17 percent on average every year and thus reached 37.6 percent in 1983. Though we have just begun to change the orientation of our country's technological progress, we also have to change the orientation of the employment of our funds and to change the previous system that placed control of most of the investment in fixed assets in the hands of the state.

Some people said that this was not the case in the Soviet Union where the percentage of the funds used in the technological transformation of the existing enterprises had also been rising in its total investment in productive construction, but the employment of funds was still centralized in the hands of the state, and there had basically been no change in the system. Here we should pay attention to two things: 1. Although the Soviet Union has been advocating since the beginning of the 1970's that it will switch from an extensive type of economic development to an intensive type of economic development, it has failed to bring about a great change in the structure and function of its entire economy because there has not been any change in its system. The percentage of the funds used in the technological renewal and transformation of the existing enterprises in the investment in productive construction rose from 30.2 percent in 1970 to 32.4 percent in 1980, a small increase in 10 years. 2. Soviet economy mainly relies on the exports of raw materials and energy to earn foreign exchange to pay for the imports of machinery, equipment, and grain from abroad. For example, in 1980, raw materials, energy, and mineral products accounted for 55.7 percent of its exports, while machinery, equipment, and communications equipment accounted for 33.9 percent of its imports and food accounted for 24.2 percent of its imports. (Footnote 1) ("Simple Edition of World Economic Statistics (1982)," Sanlian Bookstore 1983 edition, p 282) This is entirely different from our country which seriously lacks energy. Therefore, our country is not provided with the conditions to copy the pattern of the Soviet Union.

The difficulties of the shortage of funds and energy that our country is faced with and its weak links in communications, transportation, scientific research and education determine that only through improving quality, reducing consumption, and opening up the market abroad for our industrial products can be import more technology and exploit the common wealth of the human race to lessen the disparity between the level of our country and that of the world. Therefore, our system must be a system that encourages our enterprises to give play to their initiative and strengthen their vitality in competition. If there is no pressure of competititon on our enterprises, and if there is no danger of having their products stockpiled, suffering losses and closing down, our enterprises will take it easy and enjoy the food from "the same big pot," we will find it very difficult to change the malpractices of keeping on producing the same products for decades, high consumption of raw materials and energy and excessive waste, and it will be impossible for our enterprises to acquire the quality to face the challenge of the future in the world. Running water is never stale and a door-hinge never gets wormeaten. The organization structure of socialist enterprises should have the function of continuously substituting the new for the old within it. Every year, some

enterprises full of the spirit of reform should be added to this structure and a number of enterprises that are devoid of vitality should be closed down through competition. This is a practice of satisfying the continuously increasing demands of the material and cultural lives of the whole people through establishing a rational and effective new system in which the organizational structure of the enterprises is allowed to change and through speeding up the technological progress of our industry. It meets the requirements of the basic economic law of socialism.

During the period of economic difficulties in the 1960's and the economic readjustment in the past few years, we closed, suspended the production of, merged and transferred some enterprises that had poor economic results and that produced unmarketable products. Now the work to switch from losses to profits has already scored some achievements and is deepening. However, these methods are basically administrative in nature and only a very small number of enterprises have been closed, suspended, merged or transferred. Some enterprises that have suffered losses for a long time and whose losses have exceeded their total assets for a long time have maintained their operation on subsidies even now. Because our enterprises undergo no risks and thus have no sense of insecurity, they will not conscientiously and gradually accumulate their own funds for effective technological progress. In the investment in technological renewal and other technical measures in our country last year, only 32 percent was used in new construction projects and in extension of the nature of capital construction. In the current process of popularizing the application of microcomputers, there has still been a trend of blindly seeking to obtain microcomputers of high grade. At present, the type of microcomputers most often used in our country is eight bytes, while that used in technologically highly developed countries such as the United States and Japan is four bytes. This fact is worth pondering.

Judging by the situation of the new technological revolution in the world, we can see that all of the small high-technology enterprises that have emerged in the past few years and that are full of vitality, must seek a way out under heavy pressure of the market and seek their survival under fierce competition. In the "silicon valley," an area in California well-known the world over, the rate of success for small high-technology enterprises is 20 percent. It is under the circumstances of high risks that their aspiration to pursue technological progress and to be particular about economic results has emerged. In order to get a greater share of the world market for our country's industrial products, we must gradually change the existing economic system and force our enterprises to acquire the capacity to counter international competition. Therefore, the new system designed to promote technological progress should not only remove the restriction suffered by our enterprises, but should also exert pressure on our enterprises and thus force them to pursue technological progress. In order to achieve this aim, we should formulate and promulgate an enterprise bankruptcy law as soon as possible and thus write the elimination of backward enterprises into the law and regard it as a basic national policy.

From now on, as the policy of opening up to the external world and our economic structural reform are gradually deepening in their development, only

the enterprises which produce marketable products can have their markets and increase their income. We should adroitly guide our action according to circumstances and adopt a number of appropriate policies in order to promote and encourage our enterprises to develop along this orientation. For example, we shall establish a rational price system, and carry out the practice of fixing our prices according to the quality of our products. We should enable those enterprises which produce products of good quality to gain more benefits and we should punish enterprises which produce products of poor quality. For another example, the state may set up funds for developing new products and give a certain amount of subsidies to the enterprises which develop new products that the state is badly in need of. In a certain period of time, the state will reduce or exempt the taxation on the new products for which there is an urgent demand for increased output. For still another example, the state should lay stress on supporting the enterprises which are the first to research into, develop, or invent new products in order to rationally expand their production capacity. While popularizing the production technology of new products, it is imperative to implement the practice of transferring technology for compensation and enable the enterprises which develop these kinds of new products or technology to gain real economic interests.

At the same time, it is imperative to encourage and support our enterprises in carrying out their technological transformation and in particular, to encourage and support those projects which are conducive to raising the quality of products and to reducing consumption. At present, the main reasons for the slow rate of technological transformation of our enterprises are: First, the funds used for conducting technological transformation are limited; and second, the role of our limited funds is not quite satisfactorily brought into play. In this respect, on the one hand, it is imperative to "release the fetters" of our enterprises and to give rise to an environment which puts pressure on enterprises to pursue technological progress and on the other hand, it is imperative to carry out a corresponding reform of our financial system. By our estimation, two-thirds of the actual source of funds for our current technological transformation are depreciation funds (including the state's centralized depreciation funds), one-third of the actual source of funds is our bank loans. Except for a few units such as the Capital iron and steel company and the No 2 automobile factory where experiments are made to assign by contracts responsibility for continuous increase in profits, at present, the amount of production development funds which can be used for technological transformation in most of our enterprises is still quite limited. It may be predicted that after the actual implementation of the enterprise to give play to its initiative. The other is to carry out a corresponding reform in our financial system. By means of providing them low-interest bank loans and discounted loans and various special loans, we help our enterprises acquire funds to spend in their technological transformation projects that have comparatively good economic results, through raising the quality of products and reducing the consumption of funds and so forth. At the same time, we allow some major enterprises which are badly in need of reforms and development, to issue bonds and shares in order to urge those temporarily idle funds to be amassed in the enterprises and in sectors which are badly in need of funds and to gradually form a controlled financial market.

In short, in order to adapt ourselves to the situation of the rapid development of the world's new technological revolution and in order to speed up the technological progress of our country's industries, it is imperative to form a system in which the initiative of each enterprise will be brought into full play. In an environment of competition, we should leave our enterprises to improve the quality of their products, to reduce their consumption, to develop their production and to bear responsibility for the use of their funds on their own. The funds for construction which are controlled by the state are mainly used to develop the basic installation of energy, communications, postal services, education, scientific research and so forth and are used in a selected manner, to support and to promote the development of some industries of new technology. In this way, it is possible for the state to extricate itself from the current pressure which has exhausted it in dealing with the demands for investment. Only by so doing, is it possible for the industrial technological progress to really become a conscious demand of each enterprise.

CSO: 4006/77

PROVINCIAL AFFAIRS

FAST FOOD SERVICES DEVELOPED IN BEIJING

OW011714 Beijing XINHUA in English 1644 GMT 1 Nov 84

[Text] Beijing, 1 Nov (XINHUA)--A new snack bar which will provide 15,000 quick Western meals per day opened at the Xuanwu Hotel in southwestern Beijing today as part of the municipality's efforts to relieve the pressure on the city's catering trade.

The restaurant, called "Cafe de Eldo," is the third such fast-food establishment in the city. Renovations undertaken by the Evershine Design and Engineering Company of Hong Kong cost 500,000 U.S. dollars.

With an estimated 2 million people dining out in the capital every day, plans have been drawn up to open a dozen such snack bars this year.

During trial operation last night, nearly 600 diners were served within two hours in the 110-seat restaurant.

An ordinary restaurant would only have been able to handle about 100 diners during the same period, manager Xu Deren estimates. Furthermore, a customer would have to spend an hour and a half on dinner in a normal restaurant, whereas a 20-minute turnover at the snack bar will be possible.

CSO: 4020/33

PROVINCIAL AFFAIRS

BRIEFS

GUANGXI TRADE UNION CONGRESS--The sixth Guangxi regional trade union congress concluded in Nanning this morning after completing all its tasks. Executive Chairman Meng Yiping presided at the closing ceremony. Comrade (Qin Naizhe) delivered the closing speech. During the congress the delegates held panel discussions on the documents of the 3d Plenary Session of the 12th Central Committee and gained new understanding on speeding up reform of the entire economic structure, with the focus on the urban areas. The congress seriously examined and approved the work report delivered by Cormade Meng Yiping on behalf of the fifth committee of the regional federation of trade unions, together with the financial report delivered by Comrade (Zhao Yixin). The congress adopted corresponding resolutions on these reports. In accordance with the trade union charter, after full debate and discussion, the delegates elected the sixth committee and the expenditures examination committee of the regional federation of trade unions. The sixth committee held its first meeting yesterday afternoon, which elected the standing committee, chairman, and vice chairmen. Meng Yiping was elected chairman of the regional federation of trade unions. (Qin Naizhe), (Zhao Yixin), (Li Zijun), and (Li Wenxin) were elected vice chairmen. [Text] [Nanning Guangxi Regional Service in Mandarin 1130 GMT 9 Nov 84 HK]

BELJING TRAFFIC PROBLEMS--Beijing, 7 Nov (XINHUA)--Beijing will ease its growing traffic problems by improving 13 major road crossings before the end of next year, Huang Jicheng, director of the Municipal Management Committee, said here today. The measures were aimed at helping the city's roads cope with a daily average of 250,000 motor vehicles, 4.74 million bicycles and over 8 million bus riders, he said. They call for building five new footbridges and four more pedestrian underpasses at Dongsi, Huashi, Wangfujing and other major downtown intersections. Sections of Baqiao Street, in the southeastern Chongwen District, and the road linking Bawangfen and Huagong Road in eastern Beijing will be widened. Roads at several other crossings including the China Art Gallery, Caishikou and Xinjiekou will also be broadened, Huang said. Strict, scientific traffic management was also needed, he said. Those who violated regulations would be fined, he added. [Text] [Beijing XINHUA in English 1143 GMT 7 Nov 84]

CSO: 4020/33

ECONOMIC DEVELOPMENT ZONE

CONSTRUCTION BEGINS ON DALIAN ECONOMIC ZONE

OW152134 Beijing XINHUA in English 1858 GMT 15 Oct 84

[Text] Dalian, 15 Oct (XINHUA)--Work started today to build an economic and technological development zone in this northeast China port city. Thirty-three kilometers away from the downtown area, the zone covers 20 square kilometers. The first stage of construction involves a three-square-kilometer industrial park and accessory facilities with an investment of 430 million yuan.

Some 100 factories are expected to have been built in the zone by 1990, according to local authorities. The population is expected to reach 50,000. By the turn of the century, the number of factories will go up to 300 and the population to 150,000.

Local authorities welcome Chinese and foreign firms and other economic organizations, research institutes, universities and colleges to take part in the development of the zone.

Earlier, work had started on infrastructure facilities, including highways, a railway, an airport, a harbor, a hotel, and power supply, postal and telecommunications projects. A microwave communication line from Dalian to Shenyang, capital of Liaoning Province, has gone into operation.

Dalian is one of the 14 coastal cities China has decided to open wider to the outside world. The zone will be a channel through which Dalian as well as the rest of northeast China brings in advanced technologies and management experience.

CSO: 4020/32

ECONOMIC DEVELOPMENT ZONE

NINGBO TO BECOME MAJOR PORT, INDUSTRIAL CENTER

OW241116 Beijing XINHUA in English 1052 GMT 24 Oct 84

[Text] Beijing, 24 Oct (XINHUA)--Ningbo City in Zhejiang Province is to be developed into a major industrial center and foreign trading port in east China, according to an announcement by the State Council.

Ningbo is one of the 14 Chinese coastal cities given greater power over foreign investment and trade earlier this year. As an ancient port, Ningbo now has fairly well developed industries.

It is also a major market for farm products, and has a host of historical buildings and scenic spots. The city should use more foreign funds to introduce advanced technology by applying these advantages and power delegated by the central authorities, the State Council document notes.

Ningbo will also promote economic and technical cooperation with neighboring areas. Top priority will be given to upgrading existing enterprises between now and 1990.

The State Council has approved the establishment of an economic and technological development zone east of the city center.

Ningbo envisages faster construction of infrastructure, including telecommunications, an airport, harbors, public transport, electricity and water supply facilities.

In addition, existing hotels will be modernized and new ones built to cope with the increasing number of foreign tourists and business people.

CSO: 4020/32

ECONOMIC DEVELOPMENT ZONE

DALIAN STEPPING UP IMPORT OF TECHNOLOGY

OW051132 Beijing XINHUA in English 1041 GMT 5 Oct 84

[Text] Dalian, 5 Oct (XINHUA)—The volume of foreign funds and technology imported by China's northeast coastal city of Dalian came to over 93 million U.S. dollars in the first 8 months of this year. This was 2.4 times higher than in 1983, and as much as the total volume over the past 5 years.

Situated on the southern tip of Liaoning Province, Dalian is one of the 14 coastal cities designated to open wider to foreign investors by the state earlier this year.

By the end of August, over 600 financiers entrepreneurs from 16 countries and regions including Japan, the United States, the Federal Republic of Germany and Hong Kong had come to Dalian and held business talks with local authorities. Contracts on more than 100 projects of economic cooperation had been signed. Of these, 29 can be put into operation by the end of this year.

According to the municipal authorities, in launching new cooperative deals with foreign firms, Dalian puts stress on the reform of old enterprises and on import of technology-intensive industries such as shipbuilding and electronics. Moreover, the city extends its cooperative projects from industrial sector to embrace commerce, aquatic breeding and tourism. Business volume of joint ventures will be expanded.

CSO: 4020/32

ECONOMIC DEVELOPMENT ZONE

DALIAN TO DESIGNATE ECONOMIC DEVELOPMENT ZONE

OW061637 Beijing XINHUA in English 0802 GMT 6 Oct 84

[Text] Beijing, 6 Oct (XINHUA)--Dalian is to designate Maqiaozi village in Jinxian County, north of the city, an economic and technological development zone to attract foreign investment, according to city authorities.

At the same time, foreign investment and advanced technology will be used to build a modern oil refinery with an annual capacity of 10 million tons, and an ethylene plant with an annual capacity of 300,000 tons.

These are among a number of schemes aimed at boosting the city's development. All have been approved by the State Council.

Dalian is one of the 14 coastal cities given permission by the State Council to open its door wider to the outside world.

It is a port, with a cargo-handling capacity second only to Shanghai. It is also a gateway to northeast China and Inner Mongolia.

The State Council issued a circular recently, urging the city to quicken its pace in introducing foreign investment and technology, and to play a bigger role in transforming and invigorating the old industrial base of Northeast China.

While opening an economic and technological development zone, the city has decided to concentrate its efforts on transforming its old enterprises.

To help foreign partners, the city authorities planned to open direct telephone and telegraph lines and air services to Japan, Hong Kong and other places, improve other forms of transport and accelerate energy development.

CSO: 4020/32

ECONOMIC DEVELOPMENT ZONE

STATE COUNCIL OUTLINES QINHUANGDAO DEVELOPMENT

OW111346 Beijing XINHUA in English 1311 GMT 11 Oct 84

[Text] Beijing, 11 Oct (XINHUA)—The port city of Qinhuangdao in Hebei Province should use foreign funds first of all to upgrade existing businesses with imported technology, the State Council said.

The general office of the State Council recently made public the summary of a meeting on opening the city wider to foreign trade and investment, which was held following an inspection tour of Qinhuangdao by Vice Premier Wan Li and State Councillor Gu Mu last August.

Qinhuangdao is one of the 14 Chinese coastal cities opened wider to the outside world earlier this year.

According to the summary, businesses to be upgraded include glass, food, textiles and other light industrial products as well as arts and crafts. The goal is to improve product quality, increase variety and boost production capacity.

"This will stimulate the growth of the city's other industries, and improve competitiveness and economic performance," the summary notes.

An income tax cut is in the cards for Sino-foreign joint ventures, cooperative businesses and productive enterprises with sole foreign investment set up in the urban area.

Qinhuangdao should also pave the way for establishment of an economic and technological development zone, the summary says.

"Several modern hotels should be built in a tourist development zone with foreign firms," the summary says. Beidaihe, a popular summer beach resort, is just 15 kilometers away. Local people should also be encouraged to build tourist facilities to cope with the growing influx of Chinese visitors.

The summary also calls for better posts and communications facilities in Qinhuangdao.

The meeting approved construction of a large timber yard near the coast by the governments of Beijing and Qinhuangdao and the Ministry of Communications.

It also decided on some infrastructure projects. These include extending a locally-run railway, and building a 200,000-kilowatt heat and power plant and a pipeline to divert water from the Qinglong River to Qinhuangdao as well as overpasses and gas works.

With the approval of the Ministry of Foreign Economic Relations and Trade, large factories in Qinhuangdao may set up companies to hold direct negotiations with foreign firms.

Specialists must be trained in all fields, the summary notes. Qinhuangdao should build several secondary technical schools and invite colleges elsewhere to set up branches.

CSO: 4020/32

ECONOMIC DEVELOPMENT ZONE

HEBEI'S QINHUANGDAO OPENING TO OUTSIDE WORLD

OW120055 Beijing XINHUA Domestic Service in Chinese 0812 GMT 9 Oct 84

[Text] Beijing, 9 Oct (XINHUA)--On 26 September, the General Office of the State Council transmitted a "Summary of the Meeting on the Question of Further Opening Qinhuangdao City to the Outside World," and instructed the Hebei Provincial People's Government and the departments concerned under the State Council to put into practice the measures outlined in this document.

The "Summary of the Meeting on the Question of Further Opening Qinhuangdao City to the Outside World" was written on the basis of a briefing by the party committee and government of Qinhuangdao City to Comrades Wan Li and Gu Mu on 20 August 1984 regarding the work of restructuring the city's economic system, and further opening it to the outside world. Its main contents are as follows:

1. In further opening Qinhuangdao City to the outside world, to use foreign capital and import advanced technology, it is necessary to proceed from the specific situation of this city, and give priority to the transformation of existing enterprises. A well-coordinated and integrated improvement program should be drawn up for the key industries, including glass manufacture, light and textile industries, food and drink industries, and the manufacture of tourist handicrafts, with the aim to improve their product quality, increase the varieties of their products, raise their standards, and boost their production capacities. It is hoped that this program will promote the city's industrial development, make the products more competitive, and bring about markedly greater economic results. To encourage the establishment, in the old urban district of Qinhuangdao, of joint ventures with Chinese and foreign investment, enterprises of cooperative operations, and enterprises wholly owned by foreign investors in various fields of production, their income tax rate may be reduced to an appropriate extent.
2. The meeting concurred in the proposal that Qinhuangdao City try to create conditions to systematically establish an economic and technological development zone, while working predominantly on the technological transformation of existing enterprises. As for the establishment of a tourist development zone, efforts should be made to build several modern hotels, with joint Chinese-foreign investment, and to learn and popularize the advanced management experience of foreign countries. At the same time, there should be an overall plan to mobilize the masses to build tourist facilities for serving the needs of domestic travelers, who have come to the city on sight-seeing tours.

3. Effective measures should be taken to change the backward state of postal and telecommunications facilities as early as possible.

4. The meeting agreed to the proposal that a seashore lumber yard be established jointly by Beijing Municipality, Qinhuangdao City, and the Ministry of Communications.

5. The meeting adopted the following decisions on railroad transportation:
1) The local railroad of Qinhuangdao City should be extended 40 kilometers northward. 2) Work should be stepped up to build a siding for special trains near the Beidaihe Railway Station. 3) Overpasses should be built where the railroad intersects main thoroughfares in Qinhuangdao City.

6. The problem of shortage of electric supply in Qinhuangdao City should be urgently solved. The meeting agreed in the establishment of a 200,000-kw thermal power plant.

7. To radically solve the problem of insufficient water supply in Qinhuangdao's urban district, it is necessary to divert water from Qinglong He to this city. An 80- to 90-kilometer pipeline should be built to lead water from the Taolinkou Overflow Dam on the upper reaches of Qinglong He to Qinhuangdao City, at a rate of (?2 cubic meters per second) [liang ge liu liang 0357 0020 3177 6852].

8. Regarding the establishment of a coal-gas plant, the state departments concerned should study this matter and make suggestions.

9. Large production enterprises in Qinhuangdao City, if approved by the Ministry of Foreign Economic Relations and Trade, may set up economic entities to negotiate directly with foreign companies for various activities in order to combine foreign trade with industrial production, and with import of advanced technology, provided that they are qualified to do so.

10. The port work (including balance of the transport plan, loading and unloading operations, dredging of the harbor, and port management) of Qinhuangdao City should be further strengthened. Under the city government's leadership, the Port Office should be given full authority to deal with various problems in this work.

11. Great efforts should be made to train competent workers in various specialized fields. The meeting pointed out that, as an initial step, several secondary specialized schools may be established in Qinhuangdao City. Where conditions permit, some universities may be asked to set up branch schools in this city, to speed up training of competent personnel to this city, to speed up training of competent personnel to meet the current urgent requirements.

The meeting pointed out: Confronted with the current situation, where the overall economic system is being restructured and work is being done to open further to the outside world, Qinhuangdao City must do a good job in building spiritual civilization simultaneously with the work of economic construction. Under the leadership of the Hebei Provincial Party Committee and Government, it should strive to achieve ideological emancipation and work in a down-to-earth way to create a new situation in its work of opening to the outside world, and carrying out timely reforms.

ECONOMIC DEVELOPMENT ZONE

STATE COUNCIL CIRCULAR ON OPENING DALIAN CITY

OW072306 Beijing XINHUA Domestic Service in Chinese 0737 GMT 4 Oct 84

[Excerpts] Beijing, 4 Oct (XINHUA)--On 15 September the State Council approved for circulation the "Minutes of the Meeting on Further Opening the City of Dalian to the Outside World and on the Issues of Energy and Communications." It has also issued a circular in this regard, calling on the Liaoning Provincial People's Government and related departments under its administration to implement the minutes.

The State Council circular points out: The State Council pins great hope on opening the city of Dalian to the outside world. The city of Dalian must take advantage of this fine opportunity at present to carry out its work in a down-to-earth manner; give full play to its superiority; quicken its pace, and do a still better job in strengthening economic ties with foreign countries, attracting foreign investments and importing technology, and play an even greater role in transforming and invigorating the old industrial base area in Northeast China and promoting economic development in China's Northeast Region.

The aforementioned minutes make the following decisions on further opening the city of Dalian to the outside world:

1. Accelerate the pace in carrying out technical innovations in old enterprises and promptly work out a plan to transform old enterprises by states and in groups based on trades.
2. Set up Dalian economic and technical development region. It has been agreed to set up such a region in the vicinity of Maqiaozi village, Dagushan Township in Jin County.
3. Actively improve facilities for posts and telecommunication, and solve, as early as possible, problems in providing telephone and communication services from Dalian to Japan, Hong Kong, and other localities.
4. Open Dalian to international civil aviation flights, quicken the pace in renovating and expanding the Zhoushuizi Airport in Dalian, and inaugurate the international air route from Dalian to Hong Kong and Japan.

5. Strengthen the restructuring of the port system, speed up harbor construction, and accelerate the construction of the Dayaowan Xingang Region.
6. Earnestly carry out dredging the port.
7. Build the Dalian Railway Marshalling Yard.
8. Renovate the highway between Shenyang and Dalian.
9. Strengthen energy development.
10. Quicken the pace in completing the Biliuhe Water Reservoir project.
11. Reform the Dalian port foreign trade system.
12. In the course of opening Dalian to the outside world, it is necessary to bring into full play Dalian's superiority in the petrochemical industry. The city of Dalian may use foreign investments and import advanced technology in order to build a modern oil refinery capable of processing 10 million tons of crude oil and a large plant capable of producing 300,000 tons of ethylene per year.

In conclusion, the minutes emphatically point out:

The city of Dalian and all coastal cities open to the outside world must educate the broad masses of cadres and masses to fully realize the current new situation and their historical missions; to profoundly understand the significance of the policy decision of the party Central Committee on carrying out reforms and opening to the outside world; to unify all ideas on the basis of the party's line, principles, and policy; to emancipate their thinking; to eradicate the influence of leftists; and to actively join the drive to carry out reforms and open to the world.

CSO: 4006/80

ECONOMIC DEVELOPMENT ZONE

DECISION ON FURTHER OPENING DALIAN REACHED

SK080400 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 7 Oct 84

[Text] The Liaoning Provincial CPC Committee and People's Government recently reached a decision on further opening Dalian to the outside world and building an economic and technical development zone. The decision puts forward the following action slogan: "The whole province supports Dalian and Dalian serves the whole province." It calls on all cities throughout the province and all departments under the direct control of the province to actively support and participate in the construction of Dalian City.

The decision states: Comrades of Dalian City should learn from the experiences of Shenzhen and other special districts in line with the actual situation in Dalian and turn it into a harbor city which meets the standards of socialist modernization and an economic and technical exchange center with a flourishing economy, advanced science and technology, convenient transport facilities, and quick access to information. Proceeding to the next step, they should build a developed economic zone in southern Liaoning, with Dalian in the forward position and Shenyang and other cities as the hinterland, so that it can serve Liaoning—an old industrial base—in its transformation and development.

The decision states: At present, Dalian City should organically combine the technical transformation of old areas with the development and construction of new areas. It should implement the open-door policy and reform policy simultaneously, and make them promote each other. It should also cooperate with areas within and outside the province in building the Dalian Economic and Technical Development Zone. It should open both to other provinces of the country and foreign countries. Domestically, it should urge other cities of the province, the provinces in northeast China, and Nei Monggol Region to invest in the construction. It should open its door wide to welcome all countries of the world to invest in and cooperate with it.

In order to strengthen leadership over the construction of the Dalian Economic and Technical Development Zone, the provincial CPC committee also decided to set up an office headed by Comrades Wang Guangzhong and Wang Jiyuan to take charge of the liaison, coordination, and service work for other cities and pertinent departments of the province.

CSO: 4006/80

ECONOMIC DEVELOPMENT ZONE

SHANGHAI ECONOMIC STRATEGY VIEWED

HK051006 Beijing JINGJI RIBAO in Chinese 29 Sep 84 p 3

[Article by Xue Muqiao [5641 1970 2890]: "Strategic Policies for Revitalizing Shanghai's Economy"]

[Text] Shanghai is the largest city in our country, so Shanghai's economic development strategy must be oriented to the whole country and play an important role in the economic development of the whole country. When I made an investigation in Shanghai a few years ago, I found that people in Shanghai only gave consideration to matters within Shanghai rather than linking Shanghai's arrangements with the needs of the whole country. At that time I said that Shanghai should restore its role as the largest central city, and proposed building a multistory commercial center for handling production materials and consumer goods and accommodating representative offices from various industrial and commercial enterprises in all parts of the country. In addition, I also asked whether it would be possible to hold a "Shanghai trade fair" like that held semi-annually in Guangzhou. The Shanghai trade fair would not only be open to foreign businessmen, but would also be open to enterprises from other parts of the country. The fair could be held twice a year or be open throughout the year. In short, the purpose would be to enable Shanghai to actually function as the largest trade center in the country.

The largest sector of Shanghai's industry is the processing industry. If the production capacity of this portion of industry is quadrupled but the supply of energy and raw materials cannot keep pace with this development, how can our objective of quadrupling the gross annual output value be achieved? In my view, the "quadrupling" plan should be based on the overall development of the whole country, and each province and municipality should bring its advantages into full play and overcome its shortcomings. In the case of Shanghai, some new industries should be redoubled and requadrupled, but there is no need to quadruple traditional industries. It is quite enough if the production of the old industries is doubled. If the products of these industries are updated, their output value can still be quadrupled. No effort should be made to develop backward factories; rather, they should be overhauled or moved to other areas. Shanghai is now too crowded, and many small neighborhood plants are too backward to be transformed. They must be resolutely moved out of Shanghai or simply closed. Shanghai must be bent on developing outwardly and expanding its foreign relations while strengthening its economic ties with other parts of the country.

In recent years Shanghai has oriented its economic activities to the whole country and has provided a great deal of economic assistance to other areas. However, I think that greater strides have yet to be made in this orientation. The thinking of a small number of comrades still lags behind the development of the situation. They fear that they may suffer losses if they provide too much assistance to other areas. Perhaps some people think that Shanghai will have to reduce the scale of its own construction and will not be able to fulfill the task of quadrupling its economy if it assists other areas. In my opinion, quadrupling the output value is a target for the whole country, and Shanghai's assistance to other areas should be considered Shanghai's contributions to the national economy. Since Shanghai has many favorable conditions for developing new industries and has great potential to be tapped, it is certain that Shanghai will more than quadruple its output value. Furthermore, the upgrading of old products will also contribute to the fulfillment of the task of quadrupling the output value. I do not think that the concern in this regard is necessary. Shanghai should go all out to develop new industries and the "third industry," which, as I understand, mainly includes the banking, trade, transportation, and information services. Shanghai has had a solid industrial foundation. The two large industrial complexes—Baoshan and Jinshan--have become heavy burdens for Shanghai. Hence, strength should be concentrated on developing the third industry, so as to turn Shanghai into the largest financial center in the country (I agree that the headquarters of the Bank of China be moved to Shanghai) and the largest trade, transport, and information center. At the same time, Shanghai should hold a superior position in the Asia-Pacific region. Shanghai's strategy should be to open to other parts of the country and other countries of the world. That is, it should be oriented to the world market and the whole country. That is the basis on which large-scale construction in Shanghai is conducted. This is an arduous task. If it is successfully fulfilled, Shanghai will make the greatest contributions to the development of the national economy. Some people say that it is even more difficult to open to other parts of the country than to open to other countries of the world, because many barriers in our management system have not been removed and many conventions are still binding our hands. At present, some of our comrades are still obstructing the development of natural economic ties by administrative means. The fundamental way to settle this problem is to follow the central authorities' instructions for separating enterprises from the administrative system and giving greater decisionmaking powers to enterprises. Central departments will delegate their subordinate enterprises to the management of the cities in which the enterprises are located, and the cities will delegate most of the management powers to the enterprises.

CSO: 4006/80

ECONOMIC DEVELOPMENT ZONE

BEIHAI CITY'S OPEN-DOOR POLICIES SAME AS HAINAN

HK250738 Beijing ZHONGGUO XINWEN SHE in Chinese 1401 GMT 23 Oct 84

[Report from Hong Kong: "Guangxi's Beihai City Economic Development and Construction Delegation Holds Cocktail Party in Hong Kong; Xie Zhongping Says the City Gives the Same Degree of Preferential Treatment to Foreign Businessmen as That Given by Hainan Island"--ZHONGGUO XINWEN SHE headline]

[Excerpt] Hong Kong, 23 Oct (ZHONGGUO XINWEN SHE)--Jiang Pingqiu, director of the Economic Development Office of the Guangxi Zhuang Autonomous Region, and Xie Zhongping, deputy director of the office, held a cocktail party here this evening to convey, on behalf of Guangxi's Beihai City economic development and construction delegation, thanks to Hong Kong's industrial and commercial circles. During the cocktail party they disclosed that Beihai City will open to the outside world and will grant basically the same preferential terms as those of Hainan Island in attracting foreign investment.

Xie Zhongping said: This is one of the measures that the Chinese Government has adopted in order to speed up development in the areas of minority nationalities. In order to raise work efficiency, in addition to sending Guangxi's Beihai City economic development and construction delegation to contact people in Hong Kong's industrial and commercial circles, Guangxi has stationed a work team of 30 people in Shenzhen to cooperate with the work of the delegation. Once something has been achieved in talks in Hong Kong, the work team will make decisions in Shenzhen. Xie Zhongping disclosed that in the week the economic delegation has stayed in Hong Kong, it has held talks on more than 20 projects. The talks on four of these projects for attracting foreign investment have already reached a mature stage. After a final round of talks in Shenzhen on 25 October, agreement will be reached.

Guangxi's Beihai City is one of China's 14 cities that have been open to the outside world. It is also a rear supply base for the South China Sea oilfield. It is situated near Southeast Asia, is a door for the vast area of southwest China, and is a convenient outlet for the import and export trade of Guangxi, Guizhou, Yunnan, Sichuan and other southwest provinces and areas. Therefore, this visit of Guangxi's Beihai City economic development and construction delegation to Hong Kong has attracted great attention among the people of various circles at home and abroad.

Today's cocktail party was presided over by Jiang Pingqin, secretary general of the Guangxi Regional People's Government and director of the economic development office. Among the several hundred guests who attended the party were well-known personages of Hong Kong's industrial, commercial and financial circles, including Yuan Keng, Chang Hsueh-yao, Wang Kuan-Cheng, Huo Ying-tung, Tang Ping-ta, Chiu Te-Ken, Wang Guangying, Pao Yu-kang and Pao Yu-hsing, Hong Kong Urban Council member Yang Li-hsien, and the Netherlands deputy consul in Hong Kong (Shejunli).

CSO: 4006/80

ECONOMIC DEVELOPMENT ZONE

BRIEFS

SHANGHAI MULTIPLE PROJECTS--Shanghai, 23 Oct (XINHUA)--Bids were opened in Shanghai today for the construction of five projects. This was the first opening of bids for multiple projects in Shanghai. Thirty-one construction enterprises took part in the bidding for the five projects. The projects are for the Aviation Industrial Bureau, the Second Commerce Bureau and three other Shanghai municipal departments. On behalf of these five units, the Construction Bank of China invited construction enterprises to submit bids. A total of 60 enterprises tendered bids, but only 31 were qualified to take part after screening. These enterprises today made public their bids regarding total construction cost, the construction period and other norms, and submitted bidding documents. The North Market Reconstruction Project, a project entrusted by Shanghai's Second Commerce Bureau, has a construction area of 25,000 square meters. Four construction units tendered bids, with the total cost ranging from 3.41 to 5.84 million yuan, and the construction period ranging from 365 to 429 days, showing a difference of 2.4 million yuan and 64 days respectively. Upon the opening of bids today, the bank and the entrusting departments will study the construction measures and technological details submitted by each of the construction enterprises, and decide which enterprises will undertake the projects. [Text] [OW250557 Beijing XINHUA Domestic Service in Chinese 1728 GMT 23 Oct 84]

NEW SHANGHAI TOURIST FACILITIES--Shanghai, 17 Oct (XINHUA)--An amusement center, a waterfront hotel with a marina, a vacation village and an offshore island rest resort are some of the new tourist facilities Shanghai plans to build in the next 3 to 5 years. This was announced by Yan Tingchang, director of the Shanghai administration for travel and tourism, at a meeting here today. Modeled on Disneyland, the amusement park will be built in the Dianshanhu Lake scenic zone some 60 kilometers from the downtown area, Yan explained. The luxury hotel will sit on the east bank of the Huangpu River. Located in the western suburbs, the vacation village will be equipped with modern body building facilities. The rest resort will be sited on the Shengsip Islands off the coast of neighboring Zhejiang Province. Shanghai received 230,000 overseas tourists in the first 9 months of this year. The figure is expected to rise to 1 million with an additional 1 1/2 million Chinese travellers in the near future, Yan said. More than 4,000 new model hotel rooms will be put into service in the next 3 years and by 1989 Shanghai will have 18,000. At present, only 4,600 rooms are available, he added. [Text] [Beijing XINHUA in English 1616 GMT 17 Oct 84]

GARMENT EXPORTS--Dalian, 13 Oct (XINHUA)--Dalian, China's largest exporter of Western-style clothing, exported 806,000 pieces in the first 9 months of this year, according to a local industrial department. To boost production in the garment industry, this port city imported 4,000 machines from Japan, the United States and the Federal Republic of Germany from 1980 to 1983, at a cost of \$US3 million. Dalian is now sponsoring a technological exchange with the Asahi Textile Machinery Company of Japan on production of ironing machines. Earlier this month, eight Japanese garment-making firms including Yamato and Aoyagi sewing machine companies held a joint exhibition fair in Dalian. [Text] [Beijing XINHUA in English 0725 GMT 13 Oct 84]

CSO: 4020/32

AGGREGATE ECONOMIC DATA

BRIEFS

HUBEI INDUSTRIAL PRODUCTION--Hubei Province's gross industrial output value in September exceeded 3.2 billion yuan. The province's gross industrial output value in October was 3,282 million yuan. The province's gross industrial output value from January to October was 28,943 million yuan, an increase of 12.7 percent over the same period last year. The province's light and textile industrial output value in October was 1,591 million yuan, 18.2 percent more than in October last year. The province's light and textile industrial output value from January to October was 13,721 million yuan, an increase of 9.5 percent over the same period last year. Electricity output of the province in October was 147 million kilowatt-hours more than in September. Production of steel, rolled steel, coke, pig iron, copper, and aluminum which were in short supply in the market, also increased. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 8 Nov 84 HK]

CSO: 4006/82

ECONOMIC MANAGEMENT

GUANGMING RIBAO ON NECESSITY OF ECONOMIC REFORM

HK071538 Beijing GUANGMING RIBAO in Chinese 26 Oct 84 pp 1, 2

[Article by Gao Shangquan [7559 1424 0356]: "Reasons for the Emergence of the Original Economic Model and the Necessity of Reform"]

[Text] The "Decision of the Central Committee of the CPC on Reform of the Economic Structure" adopted by the 3d Plenary Session of the 12th CPC Central Committee charts the orientation of the reform, defines its nature and tasks, and lays down basic principles and policies. It is a programmatic document guiding the reform of China's economic structure. Conscientiously studying and grasping this decision is a pressing task for the whole party and the whole nation. The following is my superficial understanding after studying the "Decision" in the light of reality:

I. Reforming the Economic Model Is a Task of Primary Importance

The "Decision" adopted by the 3d Plenary Session of the 12th CPC Central Committee discusses deeply and fully the model of our economic structure. The economic model, as it is called, reflects what is most important and fundamental in an economic system. It is the summation of the nature of an economic system. Why has it been decided that the question of the model should be so important in this reform? My understanding is that there is no fixed model for the development of socialist relations of production. Our task is to create at every stage specific forms of relations of production that meet the needs of the growing productive forces and contribute to their growth. In economic reform, we must first correct the model. This is the basic prerequisite. After the model has been corrected, the nature determined, and the aim made clear, we will be able to grasp the principal contradictions and control the reform of the economic structure as a whole. After that, all other specific problems of reform can be readily solved. If the model has not been corrected, we will only get half the result with twice as much effort in carrying out reforms of this or that kind. This may even produce negative effects. What kind of economic model are establish [as printed] has a vital bearing on the development of the national economy, the prosperity of the country, and the affluence of the people. Thus, it is a question of a fundamental nature in the reform of the economic structure. It is also a task of paramount importance in reform.

The reform of the old economic model does not mean negating the socialist system. Rather, it means improving and developing the socialist system and bringing its superiority into play. The replacement of the capitalist system based on

private ownership by the socialist system based on public ownership undoubtedly marked a gigantic step forward in the history of mankind. Under the leadership of the CPC, our country overthrew the reactionary rule of the KMT and established the socialist system. Through arduous efforts, the people of the whole country have established an independent and fairly comprehensive industrial and national economic system and have scored tremendous successes inconceivable in old China, thus laying the indispensable material foundation for building China into a powerful and prosperous modern socialist country.

Practice over the last 35 years has shown that the socialist system implemented in China conforms with the fundamental interests of the people of all nationalities and that this brand-new social system has already demonstrated its incomparable superiority. However, the road we have traversed is a tortuous one, and the superiority of the socialist system has yet to be brought into full play. Why is it that the superiority of the socialist system has not been brought into full play? There are many reasons for this. Our socialism was founded on the basis of poverty and blankness of the rotten, old society. We not only had a poor foundation to start with, but lacked experience in guiding socialist construction. Due to the influence of erroneous "leftist" ideologies over the years, we had made many slips and errors in our guiding principles and economic policies. For a long time we upheld the erroneous policy of "taking class struggle as the key link" when we should have paid close attention to developing the social productive forces and resolutely shifted the focus of the work of our party and state to economic construction. In economic construction, we seriously violated the objective laws and magnified the role of subjective will by putting forward many goals and calls which were not only impractical but wrong. Apart from these causes, a major cause for this, as pointed out in the "decision" of the 3d Plenary Session of the 12th CPC Central Committee, is "a rigid economic structure that cannot meet the needs of the growing forces of production. The following are the major defects of this structure: No clear distinction has been drawn between the functions of the government and those of the enterprise; barriers exist between different departments or regions; the state has exercised excessive and rigid control over the enterprises; no adequate importance has been given to commodity production, the law of value, and the regulatory role of the market; and there is absolute egalitarianism in distribution." For this reason, the socialist economy is bereft of much of the vitality it could possess. Looking for causes from the structural model and pinpointing the defects is a major historic achievement of the 3d Plenary Session of the 12th CPC Central Committee.

II. The Historical Causes for the Original Economic Model and Its Defects

Our economic model was established during the First 5-Year Plan period. Under what historical conditions was it established? The first condition was the influence of the Soviet model. At that time we copied the Soviet model and learned from and drew on the experience of the Soviet Union in establishing systems for the management of industry and communications, capital construction, planning, material distribution, labor wages, and so on. This was necessary under the circumstances because some of their experiences such as stressing macroeconomic control and strictly adhering to capital construction procedures were desirable. However, the major defects of the Soviet model, such as overcentralized state control, excessive control over enterprises, no clear

distinction between the functions of the government and those of the enterprise, the unitary system of public ownership, and the restrictions on commodity production and the role of the law of value, were also transplanted into our economic structure. The second condition was the influence of the liberated areas and revolutionary bases. During the long years of revolutionary wars, there emerged in various revolutionary bases and liberated areas agricultural mutual aid teams and the cooperative economy. They established the public sector of the economy and gradually accumulated experience in organizing and managing financial and economic work. Because they long remained isolated and encircled, they had to be self-sufficient. Each did things in its own way and practiced the supply system. This tradition cannot but have its effect on our economic structure. The third condition was our own creations. Our systems for the management of agriculture, commerce, finance, and so on were based on the new conditions after national liberation. For example, in the socialist transformation of capitalist industry and commerce, we adopted various forms of state capitalism that ranged from the elementary to the advanced. The forms included placing orders for processed goods, centralized purchase and guaranteed distribution, sales via agents, and joint state-private management. We introduced the policy of "redemption" toward the capitalists and stipulated the methods of fixed shares and fixed rates of interest. We also paid attention to bringing into play the regulatory role of taxation, finance, and price in the fields of production and circulation. These measures were based on China's actual conditions then and showed Chinese characteristics. Before 1956, the economic structure was both centralized and unified, but control was not very rigid in many aspects. On the whole, the centralized and unified economic structure during this period played an important role in pooling financial and material resources as well as manpower, in ensuring the smooth progress of key construction projects, in promoting the development of the national economy, in ensuring the stability of market prices and the gradual improvement of the people's livelihood, and so on.

However, toward the end of the First 5-Year Plan, the defect of excessive and rigid control gradually became manifest in some aspects of the economic structure. The chief manifestations were: In regard to planned management, the proportion of direct planning greatly increased and far too many products were subject to unified state distribution. In 1952, only 55 commodities were distributed in a unified way by the State Planning Commission. In 1957, the number rose to 231. In regard to industrial management, many enterprises were directly managed by industrial departments at the central level. Control was too rigid and enterprises had very little power over the use of financial resources. In the management of labor wages, the form of employment became more and more unified and the "iron rice bowl" labor system developed. Enterprises could do nothing about workers' wages other than to execute the unified stipulations of the central authorities regarding promotions and wage increases. The defect of excessive and rigid control over enterprises also appeared during the middle stage of the First 5-Year Plan. But the contradictions at that time were not too obvious because the economic structure was still rather simple and the scale of construction was still quite small. With the basic completion of socialist transformation toward the end of the First 5-Year Plan, the structure of the system of ownership became more and more uniform, the scale of economic construction expanded, and demands for closer ties and cooperation between departments, regions, and enterprises grew. Thus the defects of the economic structure and contradictions not suited to the development of the productive forces became more manifest.

The Party Central Committee was already aware of the defects of the original economic model. In 1956, Comrade Mao Zedong wrote a report entitled "On the Ten Major Relationships." Bearing in mind lessons drawn from the Soviet Union, he summed up China's experience and stressed the need to handle well the relationship between the state, the production units, and the individual producers, as well as the relationship between the central authorities and the local authorities. He pointed out: "It is not right, I am afraid, to place everything in the hands of the central or the provincial and municipal authorities without leaving the factories any power of their own, any room for independent action, any benefits." "We must not follow the example of the Soviet Union in concentrating everything in the hands of the central authorities, shackling the local authorities, and denying them the right of independent action." The Eighth CPC National Congress, which convened soon afterward, pointed out: The socialist system has been basically established in our country. The main tasks of the people of the whole country are to concentrate their energies on developing the productive forces, bring about industrialization, and gradually satisfy the growing material and cultural needs of the people. Comrade Liu Shaoqi pointed out in a report delivered on behalf of the Central Committee: "The higher state organs have often been too straitlaced and too rigid in controlling enterprises, thereby hampering the initiative and flexibility of the enterprises and causing losses in our work which might have been avoided." "The leading organs of our economic departments should make a serious effort to do a good job in their duties; they should not meddle with what is none of their business and with what they can afford to ignore." At this congress, Comrade Zhou Enlai also delivered an important speech on the reform of the economic structure. He said: "Now that a decisive victory has been won in the socialist transformation of our country and that our people's democratic dictatorship has been further consolidated, we must and can, in keeping with the principles of unified leadership, level-to-level administration, and devising what is appropriate in each locality and in each case, define more clearly the respective spheres of jurisdiction of the central and the local authorities and improve the state administrative system so that local initiative can have free play." In his speech, he defined the respective spheres of jurisdiction of the central and the local authorities. Comrade Chen Yun pointed out at the Eighth CPC National Congress that following our decisive victory in the socialist transformation of capitalist industry and commerce, some of the measures adopted by city economic departments in past years to restrict capitalist industry and commerce were no longer necessary. In the light of China's national conditions and after summing up experience in the three major transformations, Comrade Chen Yun put forward the idea of insuring the leading and supplementary roles in three respects. This means that with respect to the management of industry and commerce, we must ensure that the leading role of state and collective management is supplemented by a certain degree of individual management. With respect to production planning, we must ensure that the leading role of planned production in industrial and agricultural production is supplemented by free production in accordance with market changes and within the limits allowed by state plans. In the socialist unified market, we must ensure that the leading role of the state market is supplemented by free markets that are led by the state to some extent.

In accordance with the guidelines of the Eighth CPC National Congress, the State Council carried out special discussions on how to improve the economic structure, then, in 1957, it promulgated three regulations: "Regulations on Improving the Industrial Management System," "Regulations on Improving the Commercial Management System," and "Regulations on Improving the Financial Management System."

These three regulations were promulgated in light of the actual conditions of overcentralization and rigid control. Although these regulations focused on the readjustment of the relationship between the central and the local authorities and did not give due emphasis to the question of how to correctly handle the relationship between the state and the enterprises, they were rational proposals on the whole. However, these reform proposals were not carried out because the "Great Leap Forward" took place soon afterward. Due to political turmoil and "leftist" mistakes during the "Cultural Revolution," some correct measures were criticized as "capitalist." Thus, the defects of the original economic model were aggravated.

From the "Great Leap Forward" to the convocation of the 3d Plenary Session of the 11th CPC Central Committee, some reforms and changes took place in our economic structure. However, despite repeated changes, there was no basic resolution of the problems. The main problems were: First, the failure to break away from the administrative framework. We only argued over whether the central or the local authorities should do the managing but did nothing to change the condition of excessive and rigid control of the state over enterprises. Second, power was regularly delegated to and taken back from the enterprises. During this process there emerged a state of affairs where "control resulted in rigidity, rigidity gave rise to protests, protests brought about relaxation, relaxation led to disorder, and disorder necessitated control." This hampered the enthusiasm and creativity of enterprises and staff members and workers. Third, the fact that dozens of central departments were able to extend their control to cities seriously hindered the latter from bringing their functions and powers into play in economic matters. This also aggravated the state of affairs where barriers existed between departments and regions and between cities and towns.

III. Reform of the Economic Structure in the Urban and Rural Areas After the 3d Plenary Session of the 11th CPC Central Committee

The 3d Plenary Session of the 11th CPC Central Committee made the strategic decision to shift the focus of work to socialist modernization. The session pointed out that the realization of the four modernizations required us to greatly increase productivity, which made it imperative to change those aspects of the relations of production and the superstructure that did not suit the needs of the growing productive forces, and to change all unsuitable modes of management, activities, and thinking. Afterward, through implementation of the policy of "readjusting, restructuring, consolidating, and improving," our national economy embarked on the road of sound development. The reform of the economic structure was carried out mainly in the rural areas and scored initial great achievements in the countryside. The 12th CPC National Congress summed up experience since the 3d Plenary Session of the 11th CPC Central Committee. It pointed out: The reform of the economic structure is an important guarantee for the four modernizations. Reform should run through the entire process of modernization. Later, reform was put before the whole party as an exceedingly important guiding ideology of the party in leading the four modernizations and as an important issue that has a vital bearing on the success or failure of our cause. This raised the understanding of the whole party on the importance of reform.

Reform of the economic structure has been repeatedly explored and tested in the urban areas in recent years. This has yielded marked results and important experience. But reform of the urban economic structure is in many ways much more complicated than reform in the countryside. Our urban reform is only in the initial stage, and the defects in the urban economic structure that seriously hinder the expansion of the productive forces are yet to be eradicated. If this model is not changed, enterprises will lack vitality and it will not be possible for us to bring into full play the enthusiasm, initiative, and creativity of the staff members and workers, or the superiority of the socialist system. The decision adopted by the 3d Plenary Session of the 12th CPC Central Committee discussed the urgency of the present reform. This decision will play a great historic role in quickening the pace of reform and in stimulating the restructuring of the entire national economy with the focus on the urban economy.

CSO: 4006/81

ECONOMIC MANAGEMENT

GONGREN RIBAO SUPPORTS DECISION OF URBAN REFORM

HK080759 Beijing GONGREN RIBAO in Chinese 26 Oct 84 p 1

[Article by Li Zhisheng [2621 2535 4141]: "Reform of the Economic Structure Enriches the People and Revitalizes the Country"]

[Text] Proceeding from the principle of integrating the basic tenets of Marxism with China's actual conditions, the "Decision of the Central Committee of the CPC on Reform of the Economic Structure" expounds the necessity and urgency of speeding up reform of the structure of the entire national economy, with the focus on urban economy, charts the orientation of the reform, defines its nature and tasks, and lays down the basic principles and policies. It is a programmatic document guiding the reform of China's economic structure. Reform of the economic structure, particularly the urban economic structure, may also be called a revolution in so far as its extent and degree are concerned.

Revolution seeks to liberate the productive forces. When the forces of production are developed, the people will be enriched and the country revitalized. Through the democratic revolution, China eliminated the semicolonial and semi-feudal system, and established the socialist system. Because the productive forces were liberated, much more was achieved in socialist economic construction in 3 decades and more than was achieved in old China. Gross social output value in 1983 had increased by nearly 20 times compared with that in 1949. However, our economic development has yet to bring into full play the superiority of the socialist system. Apart from historical, political, ideological, and other economic causes, a major cause for this is a rigid economic structure that cannot meet the needs of the growing forces of production. Following are the major defects of this structure: No clear distinction has been drawn between the functions of government and those of the enterprise; barriers exist between different departments or regions; the state has exercised excessive and rigid control over enterprises; an adequate importance has been given to commodity production, the law of value and the regulatory role of the market, and there is egalitarianism in distribution. This has resulted in enterprises lacking necessary decisionmaking power and in the practice of "eating from the same big pot" prevailing in the relations of the enterprises with the state and in those of the workers and staff members with their enterprises. The enthusiasm, initiative, and creativeness of enterprises and staff members and workers have been seriously dampened. As a result, the socialist economic structure is bereft of much of the vitality it should possess, and the growth of the productive forces is seriously affected.

After the 3d Plenary Session of the 11th CPC Central Committee, we carried out reform of the economic management system. In the short span of a few years, there was a big increase in production and marked improvement in the people's livelihood. Compared with 1979, gross social output value was up by 48.1 percent and national income by 41.1 percent in 1983. In terms of comparable prices, the level of consumption of the people of the whole nation rose at an annual rate of 7.2 percent from 1978 through 1983. These facts show that reform of the economic management system can stimulate growth of the productive forces and help attain the goal of enriching the people and revitalizing the country.

The basic criterion for judging whether or not a social system is superior or not is to see how fast the forces of production grow. Socialism is superior to capitalism because its labor productivity surpasses that of capitalism and its forces of production grow at a rate faster than under capitalism. However, the superiority of socialism will not manifest itself naturally. It needs a scientific and rational system of management. What we mean by reform is replacing a system of management that is full of defects and shortcomings with one that is scientific and rational. Socialism is something new in the development of the history of mankind. There is no ready system to copy from. In establishing a scientific and rational system of management, we must go through social practice, even repeated practice. In other words, we must go through reform, even repeated reforms. Engels pointed out: Socialist society is not something immutable, but is "a constantly changing and transforming society." It is obvious that reform here does not mean reform of the fundamental social system. It only means reform of such systems as economic management.

In socialist society, there exist contradictions between the relations of production and the forces of production, between the superstructure and the economic base. They are not suited to each other. The forces of production are the most active and revolutionary factors in the mode of production, whereas the relations of production are relatively stable. When the forces of production have developed to a certain degree, they are bound to become unsuited to the existing relations of production. A system of economic management embodies relations of production, and is a reflection of the superstructure in the economic field. Reforming a system of economic management that is both unscientific and irrational under the socialist system not only conforms with the objective law which says that the relations of production must suit the condition of the forces of production, but can improve the socialist system itself. Through reforming the system of economic management, the inherent superiority of the socialist system will definitely be brought into full play.

In the past, we had a one-sided understanding of the aim of vigorously promoting the growth of the forces of production so as to enrich the people and revitalize the country. In actual work, this aim was sometimes ignored. For this reason, we did not carry out timely and necessary reform of the economic management system that fettered the growth of the forces of production. Neither did we make endeavors to develop the economy as a strategic task for enriching the people and revitalizing the country. Now we have come to the profound understanding that the superiority of socialism should and must be manifested in developed forces of production and improved living standards. Thus, after the

3d Plenary Session of the 11th CPC Central Committee, the party set things to rights, criticized the tendency to overlook the need to develop the forces of production and to improve the people's livelihood, and put forward the proposal to shift the focus of work to economic construction. It also formulated the strategic objective of quadrupling the gross annual value of industrial and agricultural production and ensuring that the people will be comparatively well-off materially before the end of this century. Reform of the economic management system is a prerequisite for attaining this grand strategic objective.

Will structural reform, economic development, and improved livelihood cause us to deviate from the socialist orientation? Our answer is that they not only will not cause us to deviate from the socialist orientation, but are necessitated by the law of the development of socialism. The basic economic law of socialism is to guarantee to the fullest possible extent the growing material and cultural needs of the whole society with methods based on a high degree of technology that will stimulate continuous growth and improvement in production. Socialism not only must seek to change the impoverished and backward appearance of the country, but must seek to surpass capitalism in respect of material and cultural life. While poor and backward, we will not be able to build socialism. Neither will we be able to eliminate inequalities which actually exist in social life due to underdevelopment of the forces of production, to say nothing of attaining the lofty ideal of socialism. At present, we are carrying out reforms, eliminating the practices of "eating from the same big pot" and of egalitarianism, and allowing some localities, enterprises, and people to become well-off first so that they can spur on all people to become rich. This fully accords with the socialist principle of to each according to his work and with the objective for governing the development of things. Socialism seeks common prosperity. It seeks to ensure a gradual improvement in the material and cultural lives of all members of society. However, common prosperity does not and cannot mean that everyone must become well-off at the same time and rate. This is because in socialist society, workers are paid according to the principle of from each according to his ability, to each according to his work. Letting some people become well-off first will not lead to polarization. Still less will it produce capitalism. It is both one-sided and impractical to interpret common prosperity as becoming well-off simultaneously, and to think that letting some people become well-off first will lead to capitalism. Practice over the past 3 decades and more has fully proven that such viewpoints are harmful.

The reform of our economic structure is now in full swing. Practice has proved that as long as appropriate measures have been taken, reforms can stimulate the growth of the forces of production and contribute to the improvement of the people's livelihood. Provided that we conscientiously study and implement the "Decision" of the 3d Plenary Session of the 12th CPC Central Committee and make more fruitful efforts to reform the economic structure, particularly the urban economic structure, we will definitely be able to attain the goal of improving the people and revitalizing the country at an earlier date.

ECONOMIC MANAGEMENT

GUIZHOU ISSUES PROVISIONAL MINE MANAGEMENT REGULATIONS

HK091232 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 8 Nov 84

[Text] In order to further rationally develop and utilize mineral resources in our province, the provincial economic committee recently formulated provisional regulations on the management of local people-run mines.

The provisional regulations point out: If a unit or individual requests to embark on mining, so long as it or he submits an application, the application is approved by a department in charge, and it or he obtains a business permit from a local industrial and commercial department, it or he can engage in mining.

Except for reserving the right to examine and approve mining by some large and medium-sized mines, all departments in charge must appropriately delegate power to examine and approve mining by some medium-sized and small mines to a county people's government. The unit or individual whose application has been approved can raise funds by themselves to set up a mine. Financial departments, banks, and other departments must vigorously support them.

The provincial economic committee demanded that all places must endeavor to remove the barriers between areas, departments, and trades and must give play to the advantages of private operations, joint ventures, and other forms of mining to ensure that state-run, collective-run, and individual-run mines will develop simultaneously and large, medium-sized, and small mines will engage in mining simultaneously. Peasants must be encouraged to embark on mining to make rural areas rich.

With a view to implementing these provisional regulations of the provincial economic committee, the provincial metallurgical industry department has decided to strengthen its united planning work, to support specialized households and households doing specialized jobs which engage in mining, to train mining technicians for all prefectures and counties, to supply 1 percent of the rolled steel according to quantity, and to provide services to local people-run metallurgical mines in mining.

CSO: 4006/82

ECONOMIC MANAGEMENT

HUNAN: CONFERENCE DECIDES TO IMPLEMENT KEY PROJECTS

HK131431 Changsha Hunan Provincial Service in Mandarin 2300 GMT 12 Nov 84

[Text] Yesterday [12 November] evening, the provincial government held a mobilization telephone conference to implement projects agreed at the talks on provincial external economic and technical cooperation.

At the conference, Vice Governor (Chen Bangzhu) delivered an important speech. He began with the situation in the talks on provincial external economic and technical cooperation. After that, he put forward demands on how to do well in implementing the projects agreed. He said: Leaders at all levels must ideologically attach importance to opening to the outside world and must establish the strong concepts of prestige, time, and economic results. At present, we must especially do three aspects of work well:

1. We must build a special group to grasp the implementation of the projects agreed. The provincial government has decided to set up a leadership group to implement the projects agreed at the province's talks. All prefectures and cities and all departments and bureaus at the provincial level must also set up similar groups to grasp this work until the projects are put into operation.
2. It is necessary to further check up the projects. Projects which have not gone through proper formalities, must quickly go through proper formalities. Capital which has not been prepared, must be quickly arranged. Preparatory work, such as the training of building forces and personnel, must be quickly done in order to catch up with the situation.
3. It is essential to organize forces to work on the spot so as to promptly solve problems existing in the course of implementing the key projects.

CSO: 4006/82

ECONOMIC MANAGEMENT

XINJIANG VICE CHAIRMAN SPEAKS ON ECONOMIC REFORM

HK150318 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 12 Nov 84

[Excerpts] At a meeting held by the regional people's government on exchanging experiences in reform of the economic structure, Tuohudi Shabier, vice chairman of the regional people's government, stressed that in carrying out economic reform in the region at present, all areas must make efforts, seek simultaneous development in reform, and form a coordinated system of reform as soon as possible, thus creating a new situation in the province's urban reform.

In his speech on strengthening leadership and accelerating the pace to promote the in-depth development of urban economic structure, Comrade Tuohudi Shabier seriously reviewed the experiences the region has accumulated over the past few years in reforming the economic structure and pointed out that reform of the economic structure is very complicated work which involves many fields. Practice has proved that merely having enthusiasm for enterprise restructuring is not enough. If the planning, economy, finance, labor, personnel, prices, banking and responsible departments and bureaus fail to streamline administration and institute decentralization, not only will enterprise restructuring not be properly carried out, but it simply cannot be carried out. Therefore, in implementing the provisional regulations stipulated by the State Council on expanding the decisionmaking power of state-run industrial enterprises, all departments, bureaus, and comprehensive economic departments must pay attention to the overall situation and must earnestly analyze the defects in the previous economic system in their own departments. It is necessary for them, according to their own tasks and function and after ample investigation and study, to formulate practical plans to reform the previous regulations and rules which are not suited to the essence of the decision of the 3d Plenary Session of the 12th CPC Central Committee on reform. It is necessary to abolish all rules, systems, and regulations which do not correspond with the State Council's provisional regulations on further expanding the decisionmaking power of state-run industrial enterprises and to abandon old ideas and conventions. Reforms must first be carried out if they help readjust the relations of production in order to liberate the productive forces, help improve the superstructure to make it suited to the economic base,

base, help implement the principle of remuneration according to one's work so as to arouse the enthusiasm and initiative of the masses, and help raise economic results to promote production.

In his speech Comrade Tuohudi Shabier also raised concrete demands on earnestly studying and implementing the decision of the CPC Central Committee on reform of economic structure, on deepening our understanding and emancipating our minds, on streamlining administration and instituting decentralization, on reforming the commercial system, and on strengthening leadership over the reform of the economic structure.

CSO: 4006/82

ECONOMIC MANAGEMENT

HUNAN: CADRE MEETING STUDIES CENTRAL DECISION

HK130301 Changsha Hunan Provincial Service in Mandarin 1100 GMT 12 Nov 84

[Excerpts] From 4 to 12 November, the Hunan Provincial CPC Committee held a meeting in Changsha of cadres of three levels, which demanded that cadres throughout the province seriously study the CPC Central Committee's decision on reforming the economic structure, accurately grasp the spirit of the document, continue to eliminate leftist influences, break through old traditional concepts, arm their minds and guide their practice with the theory and policy of reform, and strive for victory in reform.

At the opening of the meeting, provincial CPC Committee First Secretary Mao Zhiyong and Secretary Jiao Linyi conveyed the spirit of the 3d Plenary Session of the 12th Central Committee. Provincial CPC Committee Secretary Xiong Qingquan spoke on making a success of this meeting and studying the central documents well.

Through intensive study and lively discussion, the 600 responsible comrades of the party and government attending the meeting further enhanced their understanding and did relatively well in unifying their thinking.

Provincial CPC Committee Secretary and Governor Liu Zheng presided at the meeting yesterday. Provincial CPC Committee First Secretary Mao Zhiyong made a speech in accordance with the views of the provincial CPC committee standing committee. He said: the current cardinal task facing us is to seriously study and resolutely implement the central decision, and truly bring the understanding of the cadres into line with the central decision, so as to lay a sound ideological foundation for reforms in the province. The aim of studying is to unify thinking. The key to implementing the decision well lies in strengthening leadership over reform. On the questions of how to unify thinking and strengthen leadership, the provincial CPC committee holds that it is essential to fully understand the necessity and urgency of the reform of the entire economic structure, with the focus on the towns. Reform of the economic structure is the requirement of building socialism with Chinese characteristics and an essential demand of developing and perfecting socialism. Practice has proven that there can be no way out without reforms. Reform is the trend of the times and the desire of the people. It is the irreversible tide of the era.

We must continue to eliminate leftist influences, break through old traditional concepts, and arm our minds and guide our practice with the theory and practice of reform. We must eliminate the traditional concept of setting planned economy against commodity economy and the law of prices. We must eliminate the traditional concept of confusion ownership by the whole people with having enterprises directly managed by the state organs. We must eliminate the old concepts of simply regarding socialist economy as developing economy under ownership by the whole people, and restricting and squeezing aside collective and individual economy. We must eliminate the erroneous concept on the distribution issue that socialism means equality, and that common prosperity means that everyone should become rich at the same time.

All economic and other departments must do a good job of their work, closely centered on the fundamental task of developing the productive forces. They must truly succeed in discussing the major events, understanding the overall situation, and taking good care of their own sectors. Responsible party and government cadres at all levels must stand in the forefront of reform, provide careful guidance, and stimulate the continual advance of reforms.

The day before this meeting of cadres of three levels was held, the 4th provincial CPC committee convened its 10th meeting.

The cadre meeting was attended by Zhou Li, a member of the Central Advisory Commission; members of the provincial CPC committee standing committee and the preparatory group for the provincial advisory committee; members of the provincial discipline inspection committee; responsible comrades of the provincial people's congress standing committee, government, CPPCC, and military district; responsible party and government persons of prefectures and counties; and responsible persons of provincial departments and bureaus and of institutes of higher education.

In his speech on the morning of 11 November, Comrade Mao Ziyong outlined arrangements for work this winter and next year. He stressed: We should stimulate economic construction and all other work through getting a good grasp of reforms, party rectification, and the building of the leadership groups.

On economic construction, Comrade Mao Zhiyong said: The province's economic situation has been good this year. In agricultural production, we have maintained the good momentum of sustained growth. Total output value is expected to show a big rise over last year. Total grain output may reach 52 billion jin. Output value of industrial crops and of township and town enterprises will respectively rise by 10 percent and 20 percent over last year. By the end of October, industrial output showed an increase of 9.6 percent over the same period last year.

However, there are still many unsatisfactory things in the province's economic work. The growth of industrial production is lower than the national average. There are only 50 days left of this year. We must do a really good job in economic work and strive to fulfill and overfulfill the year's economic plans.

Next year is the first year for carrying out all-round reform of the economic structure. We must create a new situation in economic work. The general aim is, under the premise of raising economic results, to ensure a rise of 7 percent and strive for 8 percent. We should strive to exceed the development level of this year and strive to catch up with the national level. While developing production, we must further promote planned parenthood work and control population growth.

In economic construction, we must do a really good job in the foundation--agriculture--and delegate more decisionmaking powers. We must grasp energy and communications, which are focal points. We must vigorously tackle the technological transformation of industry, strive to improve product quality, and develop brand and high-quality products. We must further unclog the urban and rural circulation channels. We must develop tertiary industry as soon as possible, and encourage the peasants to enter the towns to operate this industry. We must actively promote external economic and technological cooperation. We must vigorously develop science, technology, and education, and step up the exploitation of brain-power.

On party rectification, Comrade Mao Zhiyong pointed out: Party rectification in the first batch of units undertaking it in Hunan has now been underway for almost 1 year. Generally speaking, the work has developed healthily, and outstanding achievements have been gained. However, viewed in the light of the CPC Central Committee decision on party rectification, only a few units have truly set high standards and strict demands and done the work in an orderly way. There are discrepancies in the majority of units.

In the final stage, party member registration, organizational measures, the establishment of rules, regulations, and systems, and consolidation and development of the fruits of party rectification have to be undertaken. The party organizations of all units must strengthen leadership, overcome feelings of slackness, and do well in fulfilling the party rectification task from start to finish, setting high standards.

As far as timing is concerned, the great majority of units should complete party rectification around January next year. Rectification in the second batch of units should be carried out and completed next year and the year after. Next year, rectification will be carried out in the party organizations of prefectural, city, and county organs, institutes of higher education, prefectural and county-level enterprises and units, and independent second-grade units at provincial level. The year after, rectification will be carried out in all other grassroots party organizations.

On the question of further readjusting the leadership groups at all levels, Comrade Mao Zhiyong stressed: In accordance with the principle of carrying out four transformations in the cadre force, we must resolutely promote to important posts large numbers of outstanding cadres with good political quality, who are young in age, and have good educational standards and creativity, experience in grassroots work, and ability in organizational leadership. We should not go in for balance, or for showing consideration for

people, or organize transitional leadership groups. Through readjustment we should basically achieve a highly-educated leadership structure and a rational age echelon. We should form leadership groups with all the required specialties and which can be kept stable for several years and are keen and hard-working, united, and highly efficient. At the same time we must do a good job in cadre exchange. This benefits the party's cause. It is also a good way of cherishing the cadres.

CSO: 4006/82

ECONOMIC MANAGEMENT

SICHUAN: YUAN BAOHUA AT MANAGERIAL RESPONSIBILITY MEETING

HK150201 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 14 Nov 84

[Excerpts] According to SICHUAN RIBAO, a provincial conference on pilot projects in instituting the responsibility system for plant managers concluded in Chengdu on 14 November after 5 days in session. The meeting summed up and exchanged information and experiences in instituting this system and put forward views on continuing to grasp this work in the future. Yuan Baoqua, vice minister of the State Economic Commission, who is in Chengdu, spoke at the meeting.

Sichuan started pilot projects in this system in mid-July. According to incomplete statistics from 13 prefectures and cities, 118 enterprises have already implemented this system on a trial basis.

Vice Governor Gu Jinchu put forward a number of views on continuing to promote pilot projects in this system:

1. Seriously study and implement the decision of the 3d Plenary Session of the 12th Central Committee, correct the guiding ideology, and further enhance understanding of implementing the plant manager responsibility system.
2. Do a good job in selecting and assigning plant managers. Middle-grade cadres should be recommended by plant managers for appointment or dismissal, and reviewed by the administration.
3. Set up factory management committee as soon as possible, strengthen the democratic management of enterprises, and bring into play the role of the workers as masters of the house.
4. Promote and complete reforms within the enterprises.

CSO: 4006/82

ECONOMIC MANAGEMENT

GUANGMING RIBAO ON ENTERPRISES OWNED BY WHOLE PEOPLE

HK081534 Beijing GUANGMING RIBAO in Chinese 28 Oct 84 p 3

[Article by Tao Haisu [7118 3189 4725]: "Separation of Ownership From Power of Operation and the Economic Character of Enterprises"]

[Text] With the expansion of the enterprises' decisionmaking power and power of operation, the theory of the separation of ownership from the power of operation has aroused the interest of an increasing number of people. Two viewpoints were observable in a discussion held not long ago: Some suggested that after the separation of ownership from the power of operation, the state would no longer directly direct or organize production, supply, and marketing. Consequently, the character of those enterprises owned by the whole people will change. Others suggested that since the nature of economic relations is determined by the nature of the ownership of means of production, as long as ownership remains unchanged, the separation of ownership from the power of operation will not result in changes in the economic character of the enterprises.

I think as far as the separation of ownership from the power of operation is concerned, the reform of state-run enterprises can give rise to different situations. The economic character of many enterprises will remain unchanged. However, some enterprises owned by the whole people will be turned into collectively owned enterprises. This change is necessary and in accord with the economic laws. In addition, there will also be some middle-of-the-road cases. We must not oversimplify the picture.

The economic character of the enterprises is determined by the ways the laborers are bound to the means of production. These ways do not simply refer to the ownership of the means of production. They epitomize the economic relations in a process comprising production, circulation, and distribution. Thus, the state's ownership of the means of production alone cannot ensure the economically public character of the enterprises.

In arguing that the separation of ownership from the power of operation does not affect the character of the enterprises, many comrades base their arguments on a tenancy relationship. In fact, a tenancy relationship does not show that ownership determines the economic character of the enterprises, but shows that precisely the opposite is true. After land is leased by land owners, the character of those enterprises whose operation is related to land will be determined not by land ownership, but by the production relations in such enterprises, that is, the ways the laborers are bound to the means of production, including land. For example, the character of the farms built on leased land in capitalist states is determined

by the capitalist wage labor relations in these enterprises. These wage labor relations in land-related operations are precisely an essential factor which makes capitalist land ownership different from feudal land ownership. In addition, under capitalist land ownership, although both individual family farms and those large farms which hire laborers rent land from land owners and ownership is separate from the power of operation, these two kinds of farms have radically different economic characters. Thus it is obvious that we cannot interpret this phenomenon in terms of land ownership.

The complicated relations between ownership of means of production and the economic character of production and business units can also manifest themselves under socialist conditions. For example, under state ownership of land, production units can be either state farms or individual peasant households. Another example is that at present in our rural areas, those peasants who themselves own the means of production can be self-employed specialized households. This is individual economy. Some of these peasants pool funds to build joint enterprises. The principle of distribution according to work, supplemented by the distribution of dividends, is applied in these enterprises. This is cooperative economy.

Of course, by saying that ownership cannot determine the economic character of the enterprises, we do not imply that the question of the ownership of means of production is not important. All, or the absolute majority, of the means of production must be owned by the state, that is, owned by the whole people. This is a necessary condition for the enterprises to be owned by the whole people. However, we cannot say that enterprises whose means of production are owned by the state are necessarily enterprises owned by the whole people. In order to judge whether or not an enterprise is one owned by the whole people, it is necessary to analyze all the relations in production, circulation, and distribution.

Both the enterprises owned by the whole people and the collectively owned enterprises are socialist economic organizations which apply a combined labor system. The two differ in the extensiveness of the application of the combined labor system. The former applies the system within the country, while the latter applies the system within the enterprises. Thus, the state leads and [word indistinct] them differently and handles their economic interests and economic relations differently. China is a country whose economy is a planned economy. In order to ensure that the development of the national economy is well coordinated, the state should directly possess a considerable amount of social funds and some important goods and materials and should launch key construction projects. Thus there is a need for the state to exercise relatively stricter and more concrete control of the enterprises owned by the whole people, particularly large enterprises, than its control of the collectively owned enterprises. However, the past management system, characterized by a high degree of centralization, had magnified the difference to an inappropriate degree. The manpower and financial and material resources of the enterprises and their power of production, supply, and marketing were centralized in the hands of the state's administrative departments and the state directly controlled the operation of the enterprises. Facts have proven that such a practice gravely fettered the enterprises and deprived them of vitality and impetus.

With the in-depth development of the reform of the economic structure, the enterprises will, under the guidance of state plans and various policies, gradually become state-owned economic bodies with their own decisionmaking power and will pay taxes according to the law and assume sole responsibility for their own profits and losses. The state will fulfill its economic function principally by means of plans, policies, laws, and regulations and by other regulatory means in order to ensure that the macroeconomic development is balanced and that the economic interests do not conflict. Of course, the state should continue to directly control some large enterprises, some important products, and some key construction projects which are of vital importance to the national economy, the people's livelihood, and the overall situation. As for the majority of enterprises, they will no longer be directly subordinate to administrative organs at various levels. They will, as required by the socialization of production, strengthen their economic ties with enterprises at the same level and assume the responsibility for all operations within the limits of microeconomic activities. In this way the sharp difference in the past between enterprises owned by the whole people and collectively owned enterprises in the spheres of production and circulation will become relatively obscure. For example, as a result of the decrease in the number of mandatory plans and the delimitation of the scopes of mandatory plans, guidance plans, and spontaneous market regulation according to the importance of products, it would be difficult to distinguish enterprises owned by the whole people from collectively owned enterprises according to the kind of plans governing their operations. It is difficult to say whether those service enterprises owned by the whole people have a more important place in the national economy than the collectively owned enterprises in such fields as the excavation of mineral ores, the processing industry, communications, and transportation, and whether the former has a great need for direct or indirect regulation by the plans than the latter.

If we say, generally speaking, in the course of reforming our economic structure it is difficult to draw a sharp line of demarcation between enterprises owned by the whole people and collectively owned enterprises in the spheres of production and circulation, we will discover a sharper difference between the two in the sphere of circulation. The difference is mainly manifested first in that a considerable amount of the funds for the expansion of reproduction, which are a part of the profits made by the enterprises owned by the whole people, is subject to the state's centralized allocation, while these funds of the collectively owned enterprises are mainly placed at their own disposal; and second, in that in the distribution of means of subsistence to individual laborers, the enterprises owned by the whole people apply the principle of distribution according to work within the public sector of economy, while the collectively owned enterprises apply the principle of distribution according to work within individual industries. Thus, although both the enterprises owned by the whole people and the collectively owned enterprises deliver part of their net income to the state by paying taxes, they have different distribution relations. The enterprises owned by the whole people pay taxes mainly because it is their duty to meet the common needs of the community. A very large part of the taxes imposed on them is calculated according to a certain proportion of their profits and a certain proportion of the value of the sales of their goods. In the expansion of reproduction, although the state also controls the direction of the collectively owned enterprises' investment, the state does not centralize

or utilize their funds for the expansion of production by taxing them. After collecting taxes from them, the state will not generally interfere with the wages of the workers of the collectively owned enterprises, nor will it ask the enterprises to adopt the same criterion for distribution. The taxed proportion of the profits of the enterprises owned by the whole people is far greater than the taxed proportion of the profits of the collectively owned enterprises because part of the taxes imposed on the former is funds for the expansion of reproduction, which are subject to the state's centralized allocation and utilization. In addition, work (which first takes the form of collective labor in the enterprises) is the only means by which the workers of the enterprises owned by the whole people earn a living. In principle, the facilities, resources, conditions, and geographical position of the enterprises; fluctuations in the market; or other factors should not affect the income of individual laborers. Thus, in imposing taxes on the enterprises owned by the whole people, the state will also readjust these factors in order to uphold the roughly unified criterion for distribution in the public sector of economy. This is why a readjustment tax and a premium tax will be collected in the second stage of substituting taxes for the delivery of profits.

In conclusion, under the reformed economic system, the difference between the enterprises owned by the whole people and those collectively owned will be more frequently and more prominently manifested in distribution relations. This is a rather clear and unambiguous indicator of the difference between the two.

Based on the above views, I think that in the course of the reform of the economic structure, the state-owned enterprises whose ownership is separate from their power of operation will have different economic characters. Most state-owned enterprises, particularly large and medium enterprises whose ownership is appropriately separate from their power of operation, will not change, but will strengthen, their character of being owned by the whole people. The relations between the state and the small enterprises leased to the collectives by the state are in fact the relations between a creditor and his debtors. Thus, this kind of enterprise doubtless will have a collective economic character (although this does not mean that the state will not control their major operations). As for those enterprises whose "operations are unrestricted," since they are enjoying the same rights and status as those of collective economic bodies in production, and circulation most of them will be treated in the same way the latter is treated in distribution. Thus most of these enterprises will have the characteristics of collective economic bodies. However, the circumstances of these enterprises are quite complicated. Different parts of the country will have to adopt different specific methods to handle them. For example, within certain limits in some localities do let such enterprises freely operate without imposing restrictions on them. However, in distribution, these localities do not grant them the status of collective economic bodies but, by imposing taxes and collecting contract charges, gather most of their profits and control their premiums. Such enterprises cannot be considered enterprises with collective characteristics.

In the reform of the economic structure, some enterprises owned by the whole people operate according to the methods of the collective economic bodies or have even become enterprises with a collective economic character. This is an important measure which is in consonance with objective economic laws. We should discuss this point from a theoretical point of view and on the basis of the principle of seeking truth from facts. There is no need to prove the necessity of the reforms by saying that the economic character of all enterprises does not change. Both the enterprises owned by the whole people and the collectively owned enterprises are components of the socialist economy. They are neither superior nor inferior to one another. The economic methods adopted by the enterprises should be those which are favorable for the development of productive forces and for making the country powerful and the people rich. This is the only criterion for choosing a method. This way of looking at things helps us give a correct theoretical explanation of the reforms and is of great significance for pushing the reforms further forward.

CSO: 4006/81

ECONOMIC MANAGEMENT

CHINA DAILY ON POPULAR WESTERN TRAINING PROGRAMS

HK080625 Beijing CHINA DAILY in English 8 Nov 84 p 4

[By staff reporter]

[Text] Many Western business concepts and management skills have been introduced and found helpful in China's efforts to modernize its economy.

A special training programme, co-sponsored by the governments of China and the United States, has proved so successful that it has been extended for another 5 years.

The National Centre for Industrial Science and Technology Management Development was established at the northeastern port city of Dalian in 1980. By the end of this month, nearly a thousand participants will have graduated from its five sessions of the base programme for directors and managers of large and medium-sized enterprises, one session for senior executives and one special session on applied statistics.

Among the graduates, one has been appointed vice-minister of the Coal Industry and another vice-governor of Shanxi Province. An outstanding example was Wang Zhaoguo, who is now the director of the General Office of the Central Committee of the Communist Party and concurrently general secretary of the Central Committee of the Communist Youth League. He participated in the programme in 1980 when he was a vice-director of the second automobile factory in Hubei.

The Sino-American programme has been rated very high by both sides and is considered one of the most effective among more than a hundred projects of scientific and technological cooperation between the two countries.

Besides the one in Dalian, eight other centres have since been set up or are in preparation for similar training, all except one cosponsored with foreign countries. They include one with EEC in Beijing, one with Canada in Chengdu, one with Japan in Tianjin, and one with the Federal Republic of Germany in Shanghai. The one on management of equipment and installations in Xian is run with a Chinese faculty only. Other selected sites for such centres are Guangzhou in south China and Wuhan and in the Wuxi, respectively on the middle and lower reaches of the Yangtze River.

Content

The course content of the Dalian base programme is modeled on that of the two-year Master of Business Administration (MBA) programme commonly offered in the leading business schools in the United States, but considerably condensed for the shorter duration of six months.

The base programme offers required courses such as managerial economics, managerial accounting, financial management, marketing, organizational behaviour, production management, management information and decision support systems. Elective courses include international marketing, counter trade and project management.

Although much of the work at the Dalian centre is accomplished through lectures and readings, specific problems and cases and computer exercises are more and more accepted and welcomed by the participants, according to an informed source.

A computer-based management simulation game has become a high point in the whole learning process as it gives the participants some familiarity with the types of data and decisions American managers commonly face. In addition, a project is required of each participant based on a real problem in his or her home organization.

In 1982, the Dalian centre issued questionnaires to all its 300 graduates at the time and interviewed a selected few in three cities. Among some 180 who responded, 37.8 percent stated that their training had proven very helpful.

According to the informed source, those who have found their training rewarding are directors and managers of enterprises which do business with foreign firms and whose products encounter sharp competition on the market. They have found their own ability to cope with problems much improved.

With further progress in China's current economic reform to activate the domestic economy and to open up to the outside world, the informed source thinks, such training for Chinese executives aimed at familiarizing them with Western business concepts and management skills will become more and more useful.

CSO: 4020/33

FINANCE AND BANKING

TOWNSHIP-LEVEL FINANCIAL SYSTEM DEVELOPED

OW061321 Beijing XINHUA Domestic Service in Chinese 0257 GMT 6 Nov 84

[Excerpts] Hefei, 6 Nov (XINHUA)—Some financial and economic workers from east, central-south and southwest China who attended a national forum on rural financial policies in late October are of the opinion that instituting a township-level financial system is necessary for organizing and developing rural commodity production and for pooling financial resources and establishing public utilities in rural areas.

Since the publication in 1982 of the circular of the CPC Central Committee and the State Council on separating government functions from the management of production in the communes and on establishing township governments, township-level financial departments have been established, step by step, in various localities of the country in accordance with the requirement that all local governments should establish a financial department at the same level. Currently, more than 3,700 townships and towns in Hunan Province have established their respective financial departments. Nearly half or more than half of the total number of townships and towns in Anhui, Henan, Jiangsu, Zhejiang, Jiangxi, Sichuan, Guizhou, and Shanghai have established their respective financial departments. By summing up the practical experiences of various localities, some financial and economic workers have determined that instituting a financial system at the township level has the following major advantages:

1. Through the system of budget and final accounts, township financial departments can manage and supervise budgetary funds appropriated to township governments by the state.
2. By adopting the method of signing a contract with the financial department at the higher level on matters of fixed revenue and expenditure, a township financial department, being an independent financial organization, is authorized to retain a portion of the after-tax revenue and retain all the budgetary funds saved through economical use. This not only eliminates the practice of township governments eating from the same big pot but also enhances their enthusiasm for developing financial resources and increasing their income.
3. The establishment of township financial departments has improved the management of financial affairs in rural areas; strengthened financial discipline; and effectively curbed tax evasion, corruption, and waste by cadres and their bad practice of abusing their power to borrow, misuse, and embezzle public funds.

4. The rational utilization of extrabudgetary funds in line with the principle of acting according to one's financial capability has promoted the development of commodity production and other undertakings in rural areas.

Some financial and economic workers have noted that the establishment of a township-level financial system is an important reform of the economic structure, that further exploration should be conducted to determine the nature and tasks of the financial system at the township level, and that further efforts should be made to do well the work of establishing such a system.

CSO: 4006/81

FINANCE AND BANKING

BRIEFS

XINJIANG COMMODITY PRICE CIRCULAR--On 6 November, the Xinjiang Regional Commodity Price Bureau issued a circular demanding that the commodity price inspection departments in all places strengthen inspection and supervision of commodity prices. They must sternly deal with those who unscrupulously raise prices in violation of regulations. The circular demands that commodity price departments in all places take measures to eliminate various unhealthy trends of raising prices and to free the masses from doubts and misgivings. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 9 Nov 84 HK]

BANK DELEGATION LEAVES FOR AUSTRALIA--Beijing, 7 Nov (XINHUA)--A delegation of the Bank of China led by its president Jin Deqin left here today for a friendly visit to Australia. President Jin is expected to discuss with the Australian Government on the re-opening of the Sydney branch of the Bank of China. He will also tour New Zealand. [Text] [Beijing XINHUA in English 1554 GMT 7 Nov 84 GW]

CSO: 4020/34

MINERAL RESOURCES

BRIEFS

HEILONGJIANG GOLD OUTPUT—As of the end of October, Heilongjiang Province had turned out 71,077 liang of gold and is expected to reach an annual total output of 100,000 liang this year, topping the previous peak. The total output in 1983 was more than 75,500 liang. [Excerpts] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 4 Nov 84 SK]

SHANDONG GOLD PRODUCTION--Jinan, 12 Nov (XINHUA)--Shandong Province, one of China's major gold-producing centers, has met this year's gold production target 56 days ahead of schedule. Output was 11.2 percent up on the same period of last year. Shandong is rich in gold resources, and its output accounts for a quarter of the national total. In addition to state mines, rural collectives and individuals are being encouraged to run small gold ventures. [Text] [Beijing XINHUA in English 1037 GMT 12 Nov 84 DK]

CSO: 4020/34

INDUSTRY

ROLE OF MILITARY IN CONSTRUCTION MACHINERY DEVELOPMENT

Beijing GONGCHENG JIXIE [CONSTRUCTION MACHINERY AND EQUIPMENT] in Chinese
No 7, 84 pp 2-7

[Article by Tan Guoyu [6223 0948 3768] and Wang Yugui [3769 3842 3855]:
"Speed up the Development of Construction Machinery by Integrating the Army and the People"]

[Text] Since liberation, the construction machinery industry of China has developed from nonexistence to existence and from a small industry to a large one of considerable scale and level. Various construction machines supplied to all consumers are now exercising their prescribed roles in the four modernizations throughout the motherland; construction machines and equipment supplied to the army have contributed to war preparedness and previous counterattacks in self-defense.

The four modernizations of the motherland need a large number and variety of fine construction machinery, demanding that the technology of construction machinery be raised to a new level. In view of this, this article intends to review and discuss some issues concerning the development of construction machinery through the integration of the army and the people and make some tentative suggestions for greater development in the construction machinery industry.

I. Dual Purpose -- Military and Civilian Use -- Is an Important Characteristic in the Development of the Construction Machinery Industry.

The construction machinery industry offers a wide range of services. Unlike general civilian industries which have no significant bearing on military affairs or some weapons industries which have no significant bearing on civilian use, it is a military-civilian dual-purpose industry that simultaneously supplies mechanized construction equipment to civilian and military consumers.

Military construction machinery comprises part of the equipment used by all services and arms of the army, navy and air force. It includes: 1) field construction machinery used to carry out combat defense construction tasks on the front and 2) common construction machinery used to carry out military building construction tasks in the rear.

Operational functions of military and nonmilitary machinery are basically the same. They are both used to carry out engineering tasks of earth work, stone work, lifting and installation. This is a foundation for the military-civilian dual-purpose characteristic of construction machinery. Military machinery is developed on the basis of nonmilitary machinery in accordance with military characteristics. Most nonmilitary machinery used in the army has specific military purposes.

Generally speaking, there is no substantial difference between the operational conditions of nonmilitary machinery and that of common construction machinery used to carry out military building construction tasks in the rear during wartime and peacetime; therefore, there are no special requirements for such machinery.

However, there are great differences between nonmilitary machinery and field construction machinery used to carry out combat defense construction tasks on the front during wartime. They are mainly as follows:

1. Some combat defense construction tasks are specially designed for military operations. For example, laying mines and breaching mine-fields need special mine-laying and mine-sweeping machines.
2. To accompany troops in combat, field construction machinery used to carry out combat construction defense construction tasks must have a degree of mobility compatible with modern combat technology and weapons.
3. In combat, field construction machinery is often used to carry out construction tasks under the threats of enemy fire, surveillance and nuclear, biological and chemical weapons; therefore, it is required to have armor, camouflage, three protections (against atomic, biological and chemical weapons) and night vision devices.
4. Field construction tasks are to carry out a large amount of work in a very short period of time. They also change rapidly and have difficulties in logistics supply. Therefore, field construction machinery is required to have as many functions as possible, to have high efficiency and standardized specifications so as to rapidly fulfill all tasks, reduce the variety and number of equipment and ease the burden of logistics supply.
5. Other requirements for field construction machines such as high reliability, easy maintenance and low operation costs during the life span of machinery are also higher than that for nonmilitary machinery.
 1. Special military machines using the chassis of military vehicle or developed according to military requirements such as armored construction vehicles, armored bridge-laying vehicles, obstacle removers, automatic mine-laying vehicles, armored mine-sweeping vehicles, fast-moving road pavers, fast-moving trenching and tunneling machines and multi-purpose construction vehicles. These are apparent field construction machinery.

2. Modified nonmilitary machines or military machines designed on the basis of nonmilitary machines according to military requirements. In fact, these are nonmilitary machines converted for military use. Most of them still belong to field construction machinery.

3. Nonmilitary machines used directly as military construction machinery and equipment without modification. These are called nonmilitary machines for military use. They mainly refer to common construction machines used in the rear.

Due to the facts that military machinery is a component of the whole construction machinery industry, that military construction machinery and equipment include special machines, nonmilitary machines and converted nonmilitary machines for military use and that many special military machines can be used for civilian purpose or converted into nonmilitary machines, the construction machinery industry is considered to have a military-civilian dual purpose in China and other countries; and its development has given full play to the characteristic of military and nonmilitary machinery integrating with and promoting each other.

II. Stressing the Development of Military Machinery Can Promote the Development of the Construction Machinery Industry.

The army is a consumer of the construction machinery industry. Due to the special position of military needs, all countries give top priority to the development of military machinery in developing the construction machinery industry; whereas the development of military machinery also plays a considerable role in promoting the development of the construction machinery industry.

1. Establishment of the Industry

China did not have the construction machinery industry before its liberation; nor did the Chinese Army have construction machinery and equipment during the years of millet and rifles. Confronting enemies with modernized equipment during the War to Resist U.S. Aggression and Aid Korea, the Chinese Army used captured U.S.-made machines and imported Soviet-made machines which, however, could not meet military needs because they all belonged to general nonmilitary machinery, were very limited in number and had poor performance.

In order to meet the needs of a modern war, it is imperative to solve the problem of using and developing military machinery. As early as in the 1950's, the army already built schools to train technicians of military machinery and established organizations to carry out scientific research and experiment in military machinery. At that time, some machine-building, construction, water conservation and power departments which had machine-building and repair plants were engaged in scattered production of some simple construction machinery. However, the production of military machinery was still not undertaken.

In order to meet the objective needs of the national economic development, especially an urgent need for military construction machinery and equipment, in 1961 the First Ministry of Machine-Building Industry, supported by the army and in accordance with the decision of the central government, established the Special Bureau of Construction Machinery, which immediately organized and set up a research institute for construction machinery and published a magazine called GONGCHENG JIXIE (CONSTRUCTION MACHINERY AND EQUIPMENT). In the meantime, the foundation of this industry -- plants specializing in the production of construction machinery and plants producing such machinery among other things -- were also organically organized step by step. As an industry, China's construction machinery began rapid development.

Under the guiding ideology of stressing military needs set forth by the First Ministry of Machine-Building Industry, the Special Bureau of Construction Machinery focused on three major fields -- general-purpose chassis, hydraulic technology and gear drive -- and considered special military machinery as the center of a battle, resulting in a rapid development of military machinery. In the course of developing and manufacturing military machinery, a number of plants also expanded and became the backbone forces of the construction machinery industry. In the past 20 years or so, the development of military construction machinery has always been an important aspect of this industry.

In foreign countries, the development of the construction machinery industry is also closely related to military needs and the development of military machinery. In some countries such as England and France, experimental and research departments of construction machinery are even expanded and developed on the basis of military construction departments.

2. Development of Products

There are many kinds of construction machinery. However, when it comes to chassis, there are only three major kinds: Caterpillar chassis (including high-speed caterpillar chassis), wheel chassis (including automotive chassis) and special chassis. Obviously, a solution to chassis is the foundation and key to the development of construction machinery.

As early as 1958, Chinese military engineers began the work of developing special military machinery and high-speed caterpillar chassis used by such machinery. In February 1962, the first high-speed, 35 km per hour, caterpillar tractor was produced on a trial basis. In October 1963, the first fast-moving caterpillar trenching machine (as shown in photo 1) with an operational capacity as high as 946 cubic meters per hour was produced on a trial basis. Shortly after, a fast-moving caterpillar road paver with a capacity of opening up a 4.5 meter-wide road in one passing was developed. Such a high-speed caterpillar construction machine was developed for the first time in Chinese history, thus laying a foundation for later development in fast-moving caterpillar machinery for military use. Since construction machinery has the characteristic of military-civilian dual purpose, the above machines have been used in

the building of China's oil industry and have played a successful role. In foreign countries, machines such as BTM caterpillar trenching machines and BAT caterpillar road pavers developed by the Soviet Army have also been used by civilian departments. On the basis of improving the BTM, civilian departments have developed two high-efficiency frozen-ground excavators which in fact are special military machines converted for civilian use.

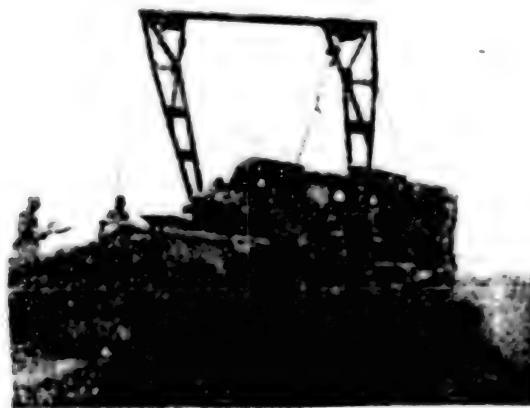


Photo 1: Fast-moving caterpillar excavator



Photo 2: 160-horse power wheel earth-mover

Construction machinery using large low-pressure wide-based tires was not rapidly developed in foreign countries until the early 1960's. Chinese military engineers set forth the demand of developing chassis for such tires when they developed the above high-speed caterpillar machines. In 1966, they officially began developing wheel earth-movers. In May 1969 they completed the first model machine with a maximum speed of 55 km per hour (as shown in photo 2). Shortly after, they developed a 1.7-cubic meter wheel carrier and a 0.6-cubic meter wheel hydraulic excavator. Among others, 90-horse power and 160-horse power levelling machines were also developed in accordance with the needs of military equipment at that time. The successful development of these machines undoubtedly played an important role in promoting the development of wheel machinery in China. Since the characteristic of military-civilian dual purpose is even stronger in wheel machinery, these machines have also been used in civilian departments. Take the K-60 wheel hydraulic excavator, for example. Among similar machines in China, its production scale is the largest, and it is the first product to win the National Silver Award.

In addition to abovementioned caterpillar and wheel machines, some machines developed by the army or developed as military equipment, such as the 40-horse power boat steering device, have been widely used in civil departments; others, such as the A96A 20-horse power diesel generator, have been

used by civilian departments as basic products and developed into serial products for exports.

3. Technological Development

Due to the operational conditions and requirements of military construction machinery, especially field construction machinery, it is often required to develop or use new technologies while developing military construction machinery. After these technologies mature, they will be gradually used and transferred to nonmilitary machinery. When talking about British FV180 combat construction vehicles and U.S. M9 armored construction vehicles, an article on the development of military machinery in the British magazine DEFENSE says: "The multiple purpose and high performance of these special military machines are bound to affect the development of nonmilitary machinery in the next generation."

Hydraulic pressure is a technology of key importance in developing construction machinery. "It has brought about revolutionary changes in the development of construction machinery." It was not until the early 1960's that the U.S. Army decided to use hydraulic technology in military machinery. It was even later when the Soviet Union used it. As early as 1955, Chinese military engineers already began to develop the 0.25-cubic meter automotive single-unit hydraulic excavator which used a multi-pump joint-flow hydraulic-pressure system with pressures at 100 kg of force per square centimeter. In April 1962, they completed the first model machine. Shortly after, they completed another one. Except for the automotive chassis, these machines were totally operated by hydraulic pressure, including their controls, reverse mechanism and support systems. Although they were incompatible with the hydraulic technology of China's construction machinery industry at that time, they played a certain role in accelerating the development of the hydraulic technology. In 1964, China imported an hydraulic element plant. Since then, China's hydraulic technology has developed substantially and has been widely adopted.

Hydraulic-power transmission is another technology of key importance in improving the operational functions of construction machinery. While developing the 160-horse power military wheel earth-mover, a dual-wheel single-tire, four-component multipurpose hydraulic torque converter for the locking device of bulldozer equipped with high-speed tires, with an efficiency of this converter was 0.87. At the same time, a power-shift transmission case was adopted. After slight modification, this torque converter was installed on such machines as the 160-horse power carrier and the 100-ton trailer tractor.

Other techniques such as four-wheel drives on large vehicles, super-low pressure and wide-based tires, double-curve bevel gear drive, thick-grooved caterpillar tracks suitable for earthmoving operations, and the kinds of rigidity of torque bar suspension via assembly-type earth-moving blades were all first tried out on military construction machinery.

In foreign countries, for example, the oil vapor frequency explosion earth excavation technology developed by the U.S. Army was adopted by the U.S. Energy Department in developing the CAST frequency explosion side-throw system. For another example, the milling earth-cutting and vane wheel earth casting techniques used in the MPK-1 excavator developed by the Soviet Union were originally used in the MLK-2 military tunnelling machine developed by the Soviet Army.

In short, developing military construction machinery can accelerate the development of the construction machinery industry. This is a common phenomenon in China and other countries.

III. Solutions to the Problem of Military Machinery and Equipment Lie in the Development of Nonmilitary Construction Machinery.

Although military construction machinery, especially field construction machinery, is very different from nonmilitary machinery, experiences gained at home and abroad repeatedly prove that only on the basis of developing nonmilitary machinery is it possible to better develop military machinery and find better solutions to the problem of military construction machinery and equipment.

1. The development of nonmilitary machinery is an important basis for developing special military machinery.

The major characteristic of military machinery is large variety, small quantity and relatively high costs of life span. Therefore, military machinery, military vehicles and nonmilitary machinery must be standardized, serialized and generalized if possible. In developing special military machinery, efforts must be made to adopt perfected, mass-produced spare parts if possible. Some of them should come from military vehicles and others from nonmilitary construction machinery. By doing so, it is possible to speed up the pace of development, to facilitate production, utilization and maintenance, to reduce the cost of life span and so on. China's construction machinery industry is organizing specialized production of major parts for general use. This undoubtedly is a convincing guarantee for the development of military machinery.

The development of nonmilitary technology can accelerate the development of military machinery. This is a more common phenomenon in China and other countries. Take the technology of hydraulic pressure for example. In foreign countries, military circles once opposed using it in military machinery. However, after it was perfected and developed in nonmilitary machinery and after it demonstrated its great superiority, armies finally decided to adopt it for military machinery. Take the articulated frame of vehicles for another example. When China began to develop military wheel earth-movers, such structure was suggested but turned down due to a lack of practical experience at home. After it was applied and perfected in nonmilitary machinery, China adopted it for developing new-model military wheel machinery. Other examples include such techniques as planetary rim speed reduction devices and power-shift transmission.

2. An effective way to develop military machinery is to modify and convert nonmilitary machinery.

The mobility and cross-country performance of modern nonmilitary machinery, especially medium-sized wheel construction machinery, are very close to military requirements. After only a few local improvements, such machinery can be developed into good-performance military machinery. For example, the ZD-3000 military wheel earth-mover of the Federal Republic of Germany, which has attracted much attention and can operate at speeds up to 62 km per hour, was developed on the basis of improving the design of the KL-30-S nonmilitary wheel earth-mover. It uses folding blades, oil-and-air suspension and 30/65-25 tires. The Minotaur ammunition detecting and disposing car of Sweden, which has television, remote-control systems and armored protection and can carry out digging operations, was built on the basis of converting the BM4300 nonmilitary carrier. Switzerland recently began marketing the MI-DLG83, which it called a first-class military caterpillar trenching machine in the world, was also developed on the basis of improving nonmilitary caterpillar trenching machines by adding armored protection and installing high-speed caterpillar suspension systems. Obviously, modifying and converting good-performance nonmilitary machinery is an effective way to develop military machinery. In order to expand sales markets, many foreign companies have been actively developing military machinery on the basis of nonmilitary machinery in accordance with military requirements. For example, the TEREX Co has produced 82-30B military caterpillar earth-movers, TS08 and TS-14B military automatic carry-scrapers, 72-51MWT, 72-25EWT and 72-25AAT multi-purpose construction vehicles.

3. A basic solution to the problem of common construction machinery and equipment in the army is to use nonmilitary machinery.

In wartime, the army needs to carry out various combat defense construction tasks on the front as well as various building construction tasks in the rear such as maintaining and restoring traffic lines and building fortifications and other facilities. When carrying out such engineering operations, nonmilitary machinery with good performance can be used directly as military machinery without modification, including various kinds of excavating machines, scraping and transporting machines, lifting and transporting machines, underground excavating and transporting machines, road, airport and harbor construction machines and timber, stone and concrete processing machines. Both the variety and number of these machines are greater than that of other kinds of military construction machinery and equipment in all countries. In the early 1970's, the U.S. Army began to carry out the CCE plan -- the plan of civil construction machinery and equipment -- which was soon adopted by the U.S. Defense Department and carried out throughout the whole army. This plan is designed to use good-performance nonmilitary machinery directly as military equipment without modification. Such machinery is mainly used in the rear. The purpose is to enable the army to directly utilize the newest achievements of civilian industries and quickly acquire the construction

machinery and equipment that meet the newest standards and have the lowest consumption of manpower and the lowest operation costs. This plan can also make things easier for wartime logistics supply, maintenance and defense. Obviously, this is inseparable from the fact that the U.S. construction machinery industry is more developed. In China, machines such as the articulated wheel carriers of the ZL series developed by civilian departments have already been widely used in the army because of their relatively high performance and quality.

In sum, it is very obvious that solving the problem of the construction machinery and equipment of the whole army, including the development of special military machinery, relies on the development of nonmilitary construction machinery.

IV. Integrating the army and the people is an important principle in developing construction machinery.

The four modernizations of the motherland are an organic whole, whereas the main task of realizing the modernization of national defense is to develop and produce advanced weapons and equipment. Military construction machinery is an organic component of military equipment. In a modern war, mechanization alone cannot guarantee mobility. Mobility is determined also by the ability to open up roads in the midst of various obstacles. Armored protection can only provide a limited chance of survival. Additional fortifications and camouflage can provide a higher chance of survival. Fire plus various obstacle construction measures to limit enemies' mobility can more effectively eliminate enemies. With fighting space extending and fighting speed increasing, the role of combat defense construction has become more outstanding, its task has become more complicated, the time to fulfill these tasks has become shorter and difficulties have become greater. Military construction machinery plays an important role in carrying out the construction tasks of defending our army's mobility, increasing our army's chance of survival and limiting enemies' mobility. When building temporary roads, a fast-moving road paver can replace 6 to 10 engineer companies and when digging trenches a fast-moving trenching machine is equivalent to the manual operation of two motorized infantry battalions. Although military construction machinery is not as noticeable as tanks, airplanes, cannons and missiles, without such machinery it would be very difficult for these combat technologies and weapons to function, or they could not function at all under certain circumstances. Obviously, developing and producing advanced military construction machinery is part of realizing the modernization of national defense and a glorious task and due responsibility of the construction machinery industry.

"Integrating the army and the people" is an important principle in developing construction machinery because the construction machinery industry has a military-civilian dual purpose, developing military machinery can accelerate the development of nonmilitary machinery, solving the problem of military construction machinery and equipment relies on the development

of nonmilitary machinery and developing and producing military machinery is a glorious mission of the construction machinery industry. "Integrating the army and the people" first calls for the integration of military and nonmilitary machinery. The development of military machinery should be geared to the development of the construction machinery industry and based on the production of serialized and diversified nonmilitary machinery. It is necessary to actively adopt and utilize nonmilitary technologies and genuinely live up to "stationing the army among the people." Along with its technological progress, the construction machinery industry will be able to create better conditions for developing military machinery and find better solutions to the problem of military construction machinery and equipment. "Integrating the army and the people" also demands that the construction machinery industry pay attention to the development of military machinery. When making arrangements for the development and production of military machinery, it should ensure that the "priority is given to military products" and at the same time, consider the possibility of converting and expanding them to a series of nonmilitary machinery. Along with the development of military machinery, the development of nonmilitary machinery will be inevitably accelerated. Therefore, "integrating the army and the people" can make military and nonmilitary machinery more compatible -- namely, more standardized, systemized and generalized -- and genuinely live up to the "integration of wartime and peacetime operations." In peacetime, this makes it possible to produce more nonmilitary machinery and reduce the stock of spare parts. It also makes it easier for the army to use its own equipment to support the state economic construction, and use the construction machinery of civilian departments to fulfill various military construction tasks. In wartime, it makes it easier for the army to gain fast supplies through rush mass-production and requisition before and during the war. Moreover, it can provide numerous sources of operation and maintenance personnel and ample logistics supplies. During a war, it makes it easier for the broad masses of militia to use their own construction machinery and equipment to fulfill various military construction tasks.

Our opinions on the concrete measures for better implementing the principle of "integrating the army and the people" are as follows:

1. Responsible departments and all enterprises of the construction machinery industry include the development of military machinery in a unified plan, a program or the serial of products and make arrangements for the work of developing military construction machinery strictly according to the principle of "giving priority to military products." The army should fully understand and implement the principle of "stationing the army among the people" and continue to actively support the development of the construction machinery industry in all fields. Professional magazines such as GONGCHENG JIXIE, GONGMAI GONGCHENG JIXIE [FOREIGN CONSTRUCTION MACHINERY] and GONGCHENG JIXIE WENZHAI [CONSTRUCTION MACHINERY HIGH] should make further efforts to introduce and probe into the development of military machinery in China and other countries and to promote the integration of military and nonmilitary machinery.

2. The construction machinery research departments of the army, the state, enterprises and universities should form their own characteristics and focuses in accordance with their individual strong points and bases. The army should concentrate on the development of special military machines and certain nonmilitary machines converted for military use and on the work of applied research. As for the development of many other military machines and the research of basic theories, the army should turn them over to the research and designing departments of the state, enterprises and universities to be carried out. Of course, all departments should strengthen technical cooperation and exchanges.

3. On condition that wartime combat defense construction tasks can be fulfilled without fail, it is necessary to try in every possible way to reduce the variety of special military machines, to develop military machinery on the basis of modifying and converting nonmilitary machinery and to use nonmilitary machinery directly as military equipment. Of course, this requires strict selection and appraisal on the part of the army and needs to be carried out in a planned manner to prevent the bad consequence of mixing the variety and model of military equipment.

4. The whole construction machinery industry should strengthen work in three areas: Adopting international common standards, striving to adopt domestic and foreign military standards and speeding up the progress of the specialized production of general-purpose spare parts. When importing the specialized production technology of general-purpose spare parts, it is necessary to consider the characteristics and requirements of military machinery. When developing military machinery, it is necessary to try in every possible way to adopt advanced and perfected nonmilitary technology and spare parts of specialized production and to consider the possibility of converting military machinery for civilian use. When developing nonmilitary machinery, it is necessary to regard the army as an important consumer and try in every possible way to consider military requirements so as to make it easier to convert nonmilitary machinery for military use.

5. When making arrangements for the production of military construction machinery, it is necessary to focus on certain units according to the type of chassis and organize effective coordination among them. It is also necessary to consider overall arrangements for shifting production units in wartime. Arrangements should be made for civilian production lines to take up the production of special military machines produced by war industry departments so as to ensure continuous production and supply in wartime. Moreover, it is also necessary to make a rational distribution of national construction machinery maintenance and repair units to form an effective system that makes maintenance and repair possible everywhere.

We are deeply convinced that after conscientiously implementing the principle of "integrating the army and the people" China's construction machinery industry will be able to develop rapidly.

INDUSTRY

BRIEFS

NEW LOW-ALLOY STEEL TUBE--At the wharf of the Tianjin Tanggu Offshore Petroleum Prospecting Bureau, a steel pile near the pier drew the interest of experts. After 2 years of erosion by sea water, two piles made of different steel tubes showed different changes in their surfaces. One had an evident layer of rust while the other had none. The pile without rust is made of [words indistinct] low-alloy steel tubes, resistant to sea water erosion, which were successfully produced by the General Iron and Steel Research Institute of the Ministry of Metallurgical Industry and the Tianjin Steel Plant. Such alloy steel is good for use in the offshore oil industry, the chemical industry, shipbuilding, construction of wharfs, and national defense construction. This new rolled steel contains small amounts of alloy, can be produced with simple technology, has good mechanical properties, and can be processed easily. It can be produced as plates, wires, and tubes. It has passed the ministry-level technical assessment of the Ministry of Metallurgical Industry, and will be produced under arrangements with the Tianjin Metallurgical Bureau. [Text] [SK130557 Tianjin City Service in Mandarin 1430 GMT 12 Nov 84]

CSO: 4006/79

CONSTRUCTION

BRIEFS

BEIJING MAJOR UNDERPASS COMPLETED--Beijing, 13 Nov (XINHUA)--A major road underpass beneath main railway lines in southern Beijing was completed today, a year earlier than expected, said a municipal government official. The underpass, which cost 10,700,000 yuan (about 4,100,000 U.S. dollars) to build, will greatly relieve traffic congestion, which used to build up around the former Majiapu level crossing, said the official. While work was in progress on its three culverts the 250 trains which use the route from Beijing to Shanhaiguan, Shanghai and Guangzhou every day, were running on the tracks as usual. Construction work took only nine months, and had been expected to take another 12, said the official. The underpass is 67.8 meters long, 34.6 meters wide and 6.8 meters high, with cycle and pedestrian lanes at either side. [Text] [Beijing XINHUA in English 1256 GMT 13 Nov 84 OW]

CSJ: 4020/34

DOMESTIC TRADE

PROBLEMS, SUGGESTIONS REGARDING REFORM OF MANAGEMENT SYSTEM

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 8, 20 Aug 84, pp 7-10

[Article by Wu Taichang [0702 1132 2490], Economic Research Institute, Chinese Academy of Social Sciences, and Zhou Shushi [0719 0615 1395], Economic Research Institute, Academy of Social Sciences, Gansu Province: "Tentative Discussion of the Reform of the Management System in the Economic System of Socialist State Ownership"]

[Text] The reform of the management system is the key link in all economic restructuring. In a socialist state ownership economy as ours, based on planned economy, it is of decisive influence on the development of the entire national economy. It is therefore highly necessary to explore the problems involved in a reform of the management system in the economic system of socialist state ownership.

The essence of the reform of the economic management system is the readjustment of the production relations, which would render them consistent with the development of the social productive forces. In our country's state ownership economy, the following major problems have existed for a long time: excessive centralization of management, lack of initiative and flexibility in our enterprises, egalitarianism in distribution, lack of enthusiasm and sense of responsibility among our staff and workers, tardiness of feedback, blunders in policy decisions, disjunction of production and requirements, poor economic results, and so on. This has some comrades believe that the economic system of socialist state ownership is at the root of all these evils and must, therefore, become the target of our economic reforms.

We believe that we must not conclude from the many shortcomings in our economic management that this must have us reject the system of socialist state ownership. The reason is that the basic and main form of state ownership that we have

now in the present stage of our country's socialist public ownership system is the inevitable product of the development of our country's social productive forces and that its existence is at the same time also determined by the character of our state as a dictatorship of the proletariat.

We have to point out here that the character of our state as a dictatorship of the proletariat and the need for the development of productive forces at the present stage of our country are the two inseparable factors that determine the existence of our country's socialist state ownership system at the present juncture. If we only emphasize the former and neglect the latter, it would inevitably lead to an excessive reliance on the political powers of the state for intrusions into the social economic activities and a neglect of the continuous readjustment in the production relations, needed to have them conform to the development of the productive forces. If we only pay attention to the latter and neglect the former, it may lead us to a path that would be completely divorced from socialism.

We must, furthermore, point out that it is also the special character of our country and its historical tradition that unavoidably created the objective foundation for the system of socialist state ownership, at our country's present stage and for a long time to come. Unified centralism is the main stream of our country's historical development. A long history has shaped the common cultural tradition of the Chinese nation and the common mentality of our society. Over long periods in our historical development, the state was in the central leadership position of our social economy. It was a state-owned economy that played the decisive role and had the decisive influence in the various components of the economy. Coming to the era of socialism, this position of the state was even more intensively perfected, consolidated and strengthened. On the foundation of a semicolonial and semifeudal old China with an underdeveloped commodity economy and a rather weak industrial base, our country has started out on the construction of its socialism. This demanded of the state that it take on an even heavier burden of responsibility for the organization of economic activities. It also demanded that the state, on behalf of the entire society, carry out accumulations and constructions in efforts to raise the level of social productive forces and speed up the progress of the nation's industrialization and the socialization of production. The corresponding lack and insufficient development of our country's resources, demanded of the state that it energetically engage in the development of resources and make full

use of the limited resources for the development of production, in order to satisfy the ever growing material requirements of society. The circumstance that a variety of different economic forms still exist in our country at the present stage demands that the state sector of the economy occupy a leadership position of absolute dominance in order to control the developmental direction of all other economic forms and keep them within bounds, thus guaranteeing that our national economy develop along the socialist path. All these factors have bestowed on the state the economic, political and organizational authority for unified planned leadership regarding our national economy, and it is precisely the system of socialist state ownership that concisely manifests the economic authority of the state. By means of this form of socialist state ownership, the state maintains a hold over the economic lifelines of the national economy and the people's livelihood and is thus in a position to effect rational dispositions and adjustments as to all kinds of natural and economic resources as well as regarding social work, and to play its regulating and guiding role to bring about the overall balance and harmonious development in all the various sectors and localities. In doing so, the state must never abandon this form of socialist state ownership, while it will be making all arrangements for life and construction, in accordance with the long-term interests of social development and the importance and urgency of social needs, and while it will be concentrating resources to ensure the completion of key construction projects. In view of the character of our country, it is therefore impossible for any other economic form to replace the important position and function of the economic system of socialist state ownership.

Since the socialist state ownership system is the inevitable product of the development of our country's social economy, and since it still plays a role that cannot be assumed by any other economic form at the present stage and for a long time to come, the readjustment of the production relations, which we have mentioned, can only be the pursuit of a fitting form which will correctly manifest the role of socialist state ownership through a reform of the management system and the methods of business operations. These are precisely the ultimate objectives in the economic reforms that we are carrying out.

What, then, are the roots that brought forth the various malpractices in economic management that presently prevail in our country? In summary, they are of the following kinds:

- (1) losing sight of the present level of our country's social

productive forces, and attempting to have the form of state ownership replace all other economic forms; (2) insufficient realization of the need for continuous improvement of the socialist state ownership system, assuming always that the management system and methods which had taken shape at a certain period of time and under certain special international and domestic conditions would be immutable and unalterable; (3) inability to differentiate between the various different aspects of the functions of socialist state ownership, mixing up the state's general controlling function over the social economy with the state's managerial functions as regards the state ownership economy; (4) an incorrect understanding of the relations between the centralization of state power and the decentralized powers among local entities, thus an inability of effectively solving the problem of the relations between the state and the enterprises. This point is closely related with the item under (3) above.

The above analysis shows that the malpractices in economic management that prevail in our country do not at all originate from the socialist state ownership system, but rather have their origin in a maladjustment of the economic organizational pattern and managerial system, which was brought about by mistakes in leading ideology and onesidedness in conceptions, and which came into conflict with the development of our country's social productive forces at the present stage. This raises the pressing demand for us to institute a reform of aspects of our economic management system. In a socialist economy whose backbone is the system of state ownership, the relationship between the state and the state-owned enterprises is most basic and most important. The basic question that has to be solved in the reform of the economic management system is, therefore, how to establish relations between the state and state-operated enterprises in a rational and effective organizational pattern and management system.

To establish a proper relationship between the state and the enterprises, it is necessary to resolve the following problems:

First, it is necessary to differentiate between the state's general control over the social economy and the state's management of the state-ownership economy--the two are two different management functions and constitute two managerial systems that are connected and yet separate, the former exercising a control over the latter--so that the entire management system of the national economy may be advanced one step further toward perfection and rationality. The general

control of the state over the social economy manifests itself mainly in the following: (1) determining the strategy for economic and social development on the basis of the long-term interests of the country and the people; (2) using the law of value as a tool, basing on the social needs and the requirements of the market and adopting an integrated method of proceeding from bottom to top and again from top to bottom, the state is to formulate a developmental plan for the national economy that suits the economic and social development strategy, furthermore also, to establish the major proportionate relations in the national economy (for instance: the proportion between accumulation and consumption, the proportions in quantities to be produced by the two large categories of production, the proportions among the various sectors within the two large categories of production, etc.) and, furthermore, also to determine corresponding norms that would reflect these relations (such as investment funds for fixed assets, total consumption funds, etc.); (3) the state is to maintain its authority to decide on policies regarding large investments and will also reserve the right to take appropriate measures to ensure the completion of key construction projects; (4) the state is to maintain its authority to decide on policies regarding important resources and the production and distribution of important products, to ensure that the most pressing needs of society will be satisfied; (5) the state is to maintain its authority to control all important economic levers (such as the types and rates of taxes and duties, interest rates, prices for important products, etc.), to ensure the state's revenue and to regulate the supply and demand relationship in the social economic life; (6) based on the needs of economic development, the state is to draw up relevant economic laws and regulations and to establish the legal scope and the responsibilities of enterprise activities; (7) the state is to strengthen administrative control of the economy, supervise the economic activities of the enterprises, etc. In sum, the state is to intervene and regulate the social reproduction process precisely by determining the macroeconomic policy decisions and by controlling the important microeconomic regulatory tools, thus also to determine and control the developmental direction of the enterprises. The main functions of the economic control departments of the government will, therefore, no more be, as in the past, to use their administrative powers to organize production, supply and consumption activities, but rather to promptly analyse and administer various information materials and decide on appropriate economic policy directives, as required by the actual condition of economic development, to adopt effective measures and to supervise and guide the economic activities of

the enterprises. On the other hand, the state, as the owner of the means of production and as the economic entity that is carrying on all enterprise activities, must also establish an independent system for the management of the state-run enterprises to perform all managerial functions of the state in the state-ownership economy. In more specific terms, the state may, according to the demands of socialized division of labor and cooperation and through the establishment of an organizational pattern of specialized corporations and joint companies of enterprise nature, exercise management of all state-operated enterprises.

Based on the developmental level of the productive forces and in view of the different extent to which various commodities affect the national economy and the people's livelihood, there must also be a difference in the management system of the various specialized companies. Companies that manufacture important products or mainly produce only one single product could adopt a management system of main company--key enterprise--enterprise, key company.

main company enterprise, or
main company--provincial company
main company--provincial company--enterprise. Specialized companies whose products are mainly consumed regionally and whose products are, furthermore, very complex could adopt a management system of provincial company--(branch company)--enterprise. Local public utilities, wholesale commercial enterprises of first-rank consumer goods and retail stores, the catering trade, service trade, repair trade and similar trades can in general adopt a management system of municipal (county) company--enterprise. In case of companies of the latter two kinds, the state may authorize or entrust the local government to exercise control on behalf of the state. In sum, as long as there is a rational organizational pattern and management system, there will be a great improvement in the efficiency of the state's management of state-operated enterprises.

Second, it is necessary to free the local governments at all levels from their intricate relationships with the enterprises, and bring simplicity and clarity into the relationship between government and enterprises. A local government of whatever level is part of the administrative organization of the state with its centralized power. In principle they must not interfere in the production activities of the enterprises. In their spheres of jurisdiction, they represent the state in its function of general control of the social economy. They

are to provide guidance and direction for the enterprises in political and administrative respects. In economic respects they are to represent the state in collecting taxes and to check and supervise the enterprises according to the economic plans, economic policies and relevant economic laws and regulations of the state. On the other hand, ours is a country of vast territory and very unequally developed productive forces. The central authorities cannot possibly take on all the various construction projects, so that the local governments will also have to bear responsibility for certain nonproductive constructions, for instance, responsibility for local communications (highways and sectors of inland navigable waterways), development of public utilities in cities and towns, setting up and administering a network of stations for commerce, catering and service trades, providing good services for the benefit of production in enterprises and the people's livelihood, responsibility for land preservation and the formulation and implementation of regional construction plans, etc. Local construction funds are to come from the local construction taxes. All enterprises must pay local construction taxes according to fixed tax rates to the county or municipal governments at the place where the enterprise is located (the counties and municipalities may turn funds over at a certain rate to the provincial authorities to be concentrated there, to be used for provincewide projects or to subsidize backward areas). According to the principle that whoever invests will also administer, the local governments will then also be responsible to administer on behalf of the state the companies and enterprises of the above-mentioned undertakings. The amounts of the local construction tax shall mainly be determined by the business results of the enterprises. The local government, although not participating in the production activities of the enterprises, can therefore also not stay aloof from all affairs concerning the enterprises, but will show active concern and make efforts to promote the development of production in the enterprises, which will then also lead to an elimination of all unnecessary frictions between local governments and enterprises. Under these conditions, the local government will want to actively develop local construction and will have the necessary financial strength to do so. As to the enterprises, they will be able to radically cure the chronic malady of "enterprises running the society." At the same time, the improper state of "too many mothers-in-law" in the enterprises will be eliminated; they will no more be powerless to cope with the situation, but will apply all their energy to production. A clear and stable relationship of this nature between the local governments and the enterprises will benefit development of the productive forces.

Third, enterprises of the socialist state ownership system must clearly and definitely manifest their economic responsibility toward the state mainly by way of payments of interest and taxes. We believe that the system of the "zero plan" could be applied in the distribution of all profits from specialized companies and enterprises, in accordance with the different categories of their products. In more concrete terms, the so-called "zero plan" means that the average level of profits has to be determined for the various products according to the statistical indices for production costs and profits in the last few years and that the average profits of the various products will have to be distributed as follows: payment of interest on the amount of circulating capital taken up by the enterprise (payment of interest at a uniform rate for fixed circulating funds allocated by the state, but a floating interest rate to be applicable for circulating funds other than the fixed amounts of bank loans); payment of tax on fixed assets, of business tax and of income tax; payment of local construction tax; payment of resources tax, readjustment tax and surtax; withdrawal by the enterprises of such production funds as reserve funds and development funds. The enterprise profits left after this distribution will be zero. If the enterprises have been able to achieve an excess profit by raising productivity through improvements in business management, they may, after paying the excess consumption tax according to the rate determined by the state, establish an excess consumption fund. This fund is the only source for the reward fund and the supplementary collective welfare fund of the enterprises. Of the extra consumption tax collected by the state, one portion will be used for extra consumption by non-enterprise staff and workers, and one portion for supplemental investments to satisfy social excess consumption. Collecting this type of tax is an important means by which the state controls the rational growth of the consumption fund. Communications, trading and financial enterprises and departments may similarly apply the "zero plan." Of course, when carrying out the "zero plan," many preconditions will have to be fulfilled as to enterprise readjustments, reorganizations or mergers, also as to the readjustment of the industrial structure, and it is necessary to proceed with caution, endeavor to create favorable conditions and have the various kinds of companies and enterprises assume a rational load of responsibilities.

To have the enterprises effectively assume economic responsibilities, the state must allow them an appropriate measure of independence and self-determination in the management of their business operations. The right of self-determination of the

enterprises must manifest itself in the management of their personnel, finances and materials and also in such aspects as the organization of production as well as supply and marketing activities. As users of the means of production and bearing economic responsibility toward the state, the enterprises must be allowed ample leeway for their business operations. Of course, because the means of production belong to the state, the production of the enterprises and their expenditures must have their place in the state plan. The independence and self-determination mentioned in this connection is therefore only a right to do business to an extent that can be accommodated within the system of the state plan. This implies that it must not weaken the state's centralized uniform leadership of the entire national economy, must not depart from the directions of the state plan and must not resist necessary administrative interventions. This too is a responsibility that enterprises have to assume toward the state.

Fourth, the state must help and guide the enterprises in their uninterrupted efforts to improve and to perfect their internal microeconomic management. The internal management of the enterprises is the foundation of the economic management system of the socialist state. Only if the microeconomic management is performed effectively in all enterprises, can macroeconomic benefits fully manifest themselves throughout the entire national economy. Of course, enterprises must be good at administering themselves, most basically, in the application of the internal economic responsibility system and in mobilizing the enthusiasm of the broad masses of staff and workers into forming an internal driving force within the enterprises. However, it will not be enough to merely have an internal driving force, the state must provide favorable external conditions that must act as an external pressure and driving force for enterprise management. This demands of the state that it must not only reform the organizational patterns and managerial systems of enterprises, but must simultaneously carry out corresponding readjustments and reforms in its systems of planning, financing, controlling workers' wages and controlling prices and circulation of commodities, in order to promote the reform in the internal management of the enterprises. To be able to provide this external pressure and driving force for the enterprises, the state has to reform its system of circulation of commodities, have this circulation truly become subordinate to production, open up all channels between production and consumption and must at the same time induce the establishment of absolutely rational horizontal contacts between enterprises, under the direction of the state plan and through the marketplace, using the form of supply.

marketing and similar economic contracts. For this purpose it will be necessary for the state to draw up without delay appropriate laws and regulations and to bring the important role of the planning, finance and other economic control departments, especially the banks, fully into play in this respect.

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CSO: 4006/40

FOREIGN TRADE AND INVESTMENT

TUNISIAN OFFICIALS TALK WITH PRC TRADE AIDE

PM271442 Tunis L'ACTION in French 19 Sep 84 p 7

[Unattributed report: "Talks Between Ismail Khelil and Lu Xuejian"]

[Text] Planning Minister Ismail Khelil had talks yesterday at his office with Lu Xuejian, Chinese vice minister of foreign economic relations and trade, in the presence of Ahmed Ben Arfa, secretary of state for international cooperation, and the two countries' ambassadors.

In his talks with his Chinese interlocutor, Ismail Khelil stressed the exemplary nature of Tunisian-Chinese cooperation and took the opportunity to express to him Tunisia's desire to consolidate this cooperation and extend it to different socioeconomic spheres and to further intensify trade and diversify and balance it more effectively.

Ismail Khelil also gave the Chinese delegation an outline of Tunisia's efforts in the development sphere, especially in financing development. In this connection, he invited China to play a more active part in the joint implementation of several industrial projects in Tunisia, and thus to enable Tunisia to benefit more from Chinese experience, especially in the textile, electrical engineering, and other industries.

In conclusion, Ismail Khelil expressed Tunisia's desire to see technical cooperation with China continue and strengthen further, especially in the spheres of cottage industries, agriculture, and health care.

Lu Xuejian, for his part, expressed his country's desire to extend and expand cooperation between the two countries into a number of spheres. In addition, he expressed his conviction that the two countries still have many opportunities for cooperation and that they must take advantage of them in good time in the interests of the two sides.

CSO: 4519/26

FOREIGN TRADE AND INVESTMENT

BRIEFS

SHANGHAI MARITIME LAW OFFICE—Shanghai, 21 Sep (XINHUA)—China's first maritime law office opened here on Thursday. The Shanghai municipal maritime affair lawyers' office will mediate and arbitrate disputes over ships and cargo for both Chinese and foreign clients. It will handle lawsuits, provide legal advice, and help examine or draft documents on maritime affairs. In addition to practicing lawyers, the office also has assistance from professors and specialists in maritime shipping and legal affairs. With 139 deep-water berths, Shanghai handles about 100 million tons of freight a year--more than any other port in China. More than 4,000 foreign ships call at Shanghai harbor each year. [Text] [Beijing XINHUA in English 0717 GMT 21 Sep 84]

CSO: 4020/32

LABOR AND WAGES

JIANGSU HOLDS FIRST INDIVIDUAL WORKERS CONGRESS

OW081215 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 7 Nov 84

[Text] The first congress of individual workers of Jiangsu Province was held in Nanjing 6-7 November. The 206 representatives attending the congress were elected by full consultation and the democratic process. They have made contributions to socialist modernization and enjoy a certain degree of prestige among the masses.

Both the provincial CPC committee and the provincial government have attached great importance to the development of individual industrial and commercial businesses and paid close attention to the congress.

Jin Xun, member of the Standing Committee of the provincial CPC committee and vice governor of Jiangsu Province, and other comrades expressed their congratulations at the meeting. Comrade Jin Xun gave a warm talk.

Comrade Jin Xun first explained the party's policy and principle on developing individual economies and protecting individual workers based on the CPC Central Committee's decision on restructuring the economic system. He pointed out that the present individual economies are subordinate to the socialist economy. It is honorable for individual workers to raise capital, find jobs, earn their own livings and work hard to serve socialist modernization. They are under the protection of law. Under no circumstances is anyone allowed to discriminate against them or to make things difficult for them. The individual workers are also masters of the state. Being masters of the state, they must gear their production or business to the state's grand objective of socialist modernization and should not deviate from this path. They must obey the law in running their business and must cherish their credit and reputation so that other people can trust them. Only when they have gained trust can they gain support.

Through study and discussions during the meeting, the representatives gained a better understanding of the nature, status, and role of individual workers under the socialist system. The representatives are educated and encouraged by this understanding.

The congress examined and adopted a constitution of individual workers of Jiangsu Province, elected the first committee of the Jiangsu Provincial Individual Workers Association, and adopted an appeal to the individual workers of the whole province.

TRANSPORTATION

BRIEFS

SHANDONG-YANSHI RAILWAY--The project of laying track for the main line of the Yanzhou-Shijiusuo Railway in Shandong Province was completed on the morning of 7 November, 1 month earlier than planned. This railway line is 308 kilometers long. The early completion of this project will play an important role in developing Shiji Harbor. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 7 Nov 84 SK]

GUIZHOU AIR TRANSPORT--By the end of October, the Guizhou Provincial Civil Aviation Administration Bureau had overfulfilled the 1984 quotas for transport. The volume of passenger transport was 15.7 percent more than the annual quota, and the volume of freight and mail transport was 3.9 percent more than the annual quota. The gross transport value was 38.8 percent more than the annual quota. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 12 Nov 84 HK]

CSO: 4006/82

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